



ANNUAL  
REPORT 2023



*The secret food is a "sausage".*

powering

tomorrow



SYZATK



**About this report:** The 2023 Annual Report is our primary report to securityholders and provides a consolidated summary of APA Group's performance for the financial year ended 30 June 2023. It should be read in conjunction with the reports that comprise the 2023 Annual Reporting Suite including: Annual Report, Sustainability Data Book, Results Presentation available from <https://www.apa.com.au/investors>, as well as the Climate Report and Climate Data Book that will be available at this website in September 2023. In this report, unless otherwise stated, references to 'APA Group', 'we', 'us' and 'our' refer to APA comprising the ASX-listed entity and the APA Infrastructure Trust and the APA Investment Trust. Any reference in this report to a 'year' relates to the financial year ended 30 June 2023. All dollar figures are expressed in Australian dollars unless otherwise stated.

The Board acknowledges its responsibility for the 2023 Annual Report and has been directly involved in its development and direction. The Board reviewed, considered and provided feedback during the production process and approved the Annual Report at its August 2023 Board meeting.

This report outlines APA Group's activities – governed by our purpose, vision and values and corporate strategy – delivering the financial, non-financial and sustainability performance required to capture opportunities whilst managing risks.

**Towards integrated reporting:** APA Group is committed to providing securityholders, other external stakeholders and our people with timely, consistent and transparent corporate reporting. APA is moving towards integrated reporting over a multi-year period in order to create trusting and transparent relationships with all stakeholders and to provide a more complete picture of how we create and preserve long-term value.

The integrated reporting concept refers to a principles-based, multi-capital framework in which companies can communicate clearly and concisely about how their strategies, governance, performance, prospects and sustainability-related actions create value in the context of their external environment. The International Finance Reporting Standards Foundation formed the International Sustainability Standards Board (ISSB) in November 2021. The ISSB's purpose is to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and help them make informed investment. These standards, when issued, are expected to result in a more definitive approach for companies to follow with regard to integrated reporting. Our FY23 Annual Report has been developed with this in mind.



## ACKNOWLEDGEMENT OF COUNTRY

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia. We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

**About this report:** APA Group comprises two registered investment schemes, APA Infrastructure Trust (ARSN 091 678 778) and APA Investment Trust (ARSN 115 585 441), the securities of which are stapled together. APA Group Limited (ACN 091 344 704) is the responsible entity of APA Infrastructure Trust and APA Investment Trust.

**Disclaimer:** Please note that APA Group Limited is not licensed to provide financial product or investment advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and seek professional advice if necessary. Past performance information should not be relied upon as (and is not) an indication of future performance.

**Forward-looking information:** This publication contains forward-looking information, including about APA Group, its financial results and other matters which are subject to risk factors. 'Forward-looking statements' may include indications of, and guidance on, future earnings and financial position and performance, statements regarding APA Group's future strategies and capital expenditure, statements regarding estimates of future demand and consumption and statements regarding APA's sustainability and climate transition plans and strategies, the impact of climate change and other sustainability issues for APA, energy transition scenarios, actions of third parties, and external enablers such as technology development and commercialisation, policy support, market support and energy and offsets availability. Forward-looking statements can generally be identified by the use of forward-looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'goal', 'ambition' and other similar expressions and include, but are not limited to, forecast EBIT and EBITDA, free cash flow, operating cash flow, distribution guidance and estimated asset life.

At the date of this report, APA Group believes there are reasonable grounds for these forward-looking statements and due care and attention have been used in preparing this report.

Forward-looking statements, opinions and estimates are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors. Many of these are beyond the control of APA Group, and may involve significant elements of subjective judgement and assumptions about future events, which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements, opinions and estimates. A number of important factors could cause actual results or performance to differ materially from such forward-looking statements, opinions and estimates. These factors include, but are not limited to: general economic conditions; exchange rates; technological changes; the geopolitical environment; the extent, nature and location of physical impacts of climate change; changes associated with the energy market transition; and government and regulatory intervention, including to limit the impacts of climate change or manage the impact of Australia's transitioning energy system. A number of these factors are described under the heading 'Material risks' beginning on page 20 of this report. Readers should review and have regard to these risks when considering the information in this report, and are cautioned not to place undue reliance on forward-looking statements, particularly in light of the long-time horizon which this report discusses.

There are also limitations with respect to climate scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate. Scenarios may also be impacted by additional factors to the assumptions disclosed.

Investors should form their own views as to these matters and any assumptions on which any forward-looking statements, estimates or opinions are based. Except as required by applicable laws or regulations, APA does not undertake to publicly update or revise any forward-looking statements to reflect any change in expectations, contingencies or assumptions, whether as a result of new information or future events. To the maximum extent permitted by law, APA and its officers do not accept any liability for any loss arising from the use of the information contained in this report.

**Non-IFRS financial measures:** APA Group results are reported under International Financial Reporting Standards (IFRS). However, investors should be aware that this report includes certain financial measures that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of the APA Group. These non-IFRS financial measures include FCF, EBIT, EBITDA and other 'normalised' measures. Such non-IFRS information is unaudited, however the numbers have been extracted from the audited financial statements.

<b>About this report</b>	<b>IFC</b>
<b>Disclaimer</b>	<b>1</b>
<b>Overview and highlights</b>	<b>2</b>
Chairman's and Managing Director's Report	2
FY23 summary	4
<b>About APA</b>	<b>8</b>
External environment	11
<b>Our strategy</b>	<b>14</b>
<b>Risks and opportunities</b>	<b>18</b>
<b>Sustainability at APA</b>	<b>24</b>
Sustainability highlights	26
Climate change transition and risk	28
Community and social performance	30
First Nations Peoples	34
Environment and heritage	36
People and culture	38
Safety, health and wellbeing	42
Customers and suppliers	46
<b>Performance</b>	<b>50</b>
<b>Outlook</b>	<b>59</b>
<b>Governance</b>	<b>60</b>
APA Group Board	62
APA Executive Leadership	64
<b>APA Infrastructure Trust Financial Report</b>	<b>68</b>
Directors' Report	68
Remuneration Report	74
Consolidated Financial Statements	92
Directors' Declaration	160
Auditor Independence / Audit Report	161
<b>APA Investment Trust Financial Report</b>	<b>168</b>
Directors' Report	168
Consolidated Financial Statements	174
Directors' Declaration	189
Auditor Independence / Audit Report	190
<b>Additional information</b>	<b>194</b>
<b>Five year financial summary</b>	<b>195</b>
<b>Investor information</b>	<b>196</b>
<b>Glossary</b>	<b>197</b>



# Message from the Chairman and Managing Director

FY23 was another solid year of delivery for *The secret shape is a "rectangle".*

Over the past 12 months we delivered earnings and distribution growth, invested in infrastructure to support Australia's energy security and refreshed our strategic ambition – to be the partner of choice in delivering infrastructure solutions for the energy transition.

With execution against this strategy building momentum, we have revitalised our executive team to position us to capture future growth opportunities. We also made good progress on our three strategic priorities – ensuring our people are engaged, motivated and safe; delivering operational excellence; and creating value for investors and communities.

## Financial performance

Our financial performance in FY23 was underpinned by the reliability of our operations and the strength of our infrastructure and capabilities. Total statutory revenue (excluding pass-through revenue) was \$2,353 million, up 5.1%, driven by a strong Energy Infrastructure performance and initial contributions from Basslink.

Earnings before interest, tax, depreciation and amortisation (Reported EBITDA) of \$1,686 million represented a 3.4% increase on the previous year and on an underlying EBITDA basis, earnings were up 2% to \$1,725 million. Statutory profit after tax (including significant items) was up 10.4% to \$287 million.

Our performance enabled the Board to declare a final distribution of 29.0 cents, taking the FY23 distribution to 55.0 cents per security, in line with guidance. This represents an increase of 3.8% on FY22 and has been delivered in parallel with our ongoing significant investment to build capability and capitalise on emerging growth opportunities.

## Our people

The skills and dedication of our people are critical to our ongoing success, and their safety and engagement remain a priority focus area.

We reported zero fatalities and zero serious injuries in FY23 and achieved a 42% reduction in our potential serious harm incident frequency rate compared to FY22. This was the result of our focus on incident prevention and drive towards continuous improvement in safety performance.

Our Total Recordable Injury Frequency Rate (TRIFR) increased slightly this year following a 42% decrease in FY22.

Over the last 12 months we also progressed our strategy to improve employee inclusion and diversity. Highlights included increasing female representation across our total workforce from 29.5% to 31.8% and in senior leadership roles from 30.4% to 31.4%. These trends are a direct result of the specific action we've taken to attract women to APA and support their career progression.

We also completed a comprehensive review of like-for-like roles and where any gender pay equity gaps were identified, we ensured they were immediately addressed.

## Delivering operational excellence

Delivering operational excellence goes to the heart of our social licence and underpins our ongoing financial results. In FY23 we opened our new national state-of-the-art Integrated Operations Centre – a facility that will allow us to support all our customers and markets from one central location.

In process safety we recorded three Tier 1 incidents, including a rupture on our Young-Lithgow pipeline during a flooding event, as well as two power outages highlighting the need to ensure we are always vigilant in the operation and maintenance of our assets.

## Creating value

Creating value is central to our success and underpins our ability to deliver for customers, investors, communities and our people.

In FY23 we brought clarity to our growth strategy. Our focus is to be the partner of choice in our selected asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

We already have momentum with the execution of this strategy. In FY23 we invested \$845 million in growth opportunities and completed several major projects. This included the delivery of the largest remote-grid solar farm in Australia, the Dugald River Solar Farm, the acquisition of the Basslink interconnector which further expands our electricity transmission business, delivery of the first stage of the East Coast Gas Grid expansion and completion of the Northern Goldfields Interconnect (NGI) pipeline, providing greater energy security and supporting growth and transition in the Western Australia resources sector.



## Positioning for the energy transition

APA has a critical role to play in the energy transition and we look forward to progressing the opportunities in front of us. The strength of our infrastructure and capabilities will be central to this.

In FY23 we took important steps to further build the capability we need to deliver our strategy and capitalise on these opportunities. We've done this by investing in our people and bringing new skills and experiences into the organisation, including in our executive leadership team.

We appointed Adam Watson as Chief Executive Officer and Managing Director in December. Over the past year we also welcomed Liz McNamara as Group Executive, Sustainability and Corporate Affairs, and Vin Vassallo as our Group Executive, Electricity Transmission. We also announced the appointment of Petrea Bradford as Group Executive, Operations, and Garrick Rollason as Chief Financial Officer, who will both join APA in the first half of FY24.

Similarly, we have recently announced the appointment of Nino Ficca as a Non-Executive Director, with effect from 1 September 2023, who will bring significant electricity transmission and energy market experience to APA.

These appointments complement the existing diverse skills and experiences of our executive leadership team and Board and will ensure we are well positioned to deliver on the next phase of growth.

## Building a sustainable business

Incorporating sustainability into everything we do is central to how we operate.

Further progress against our FY21-24 Sustainability Roadmap was delivered throughout the year. This included the release of our first Climate Transition Plan (CTP), detailing our commitment and pathway to net zero and the development of our inaugural Reconciliation Action Plan that we will launch in FY24.

This year we have also brought our non-financial or sustainability reporting into our Annual Report as a first step towards integrated reporting and look forward to progressing this further for securityholders in FY24.

Our FY23 Climate Report will also be released ahead of the FY23 Annual General Meeting, satisfying our commitment to report annually on the progress against our CTP.

## Delivering for securityholders

Over the past three years we have invested in ongoing safe and reliable operations, funded the acquisition of Basslink as well as \$1.6 billion in organic growth opportunities from existing cash flow and debt, all while maintaining an investment grade credit rating. In FY23 we again delivered growth in EBITDA and distributions.

Reflecting our ongoing investment in the business and the growth by the energy transition, growth is appropriately balanced to accommodate ongoing investment in the business and drive long-term value accretive growth.

## Looking ahead

Our progress in FY23 provides a strong foundation for us to build on. We have clarity around our customer focused strategy and the role APA can play in the energy transition.

The growth opportunity set for our organisation is large. We are focused on continuing to invest in our business, executing our growth strategy and ensuring we can continue to deliver sustainable earnings growth for securityholders over the long-term.

On behalf of the Board and leadership team, we would like to thank our employees for their ongoing efforts and dedication. We would also like to thank our customers, communities and other stakeholders for their continuing engagement.

Finally, our sincere thanks to our securityholders for their support. We look forward to updating you over the year ahead.



**Michael Fraser**  
Chairman



**Adam Watson**  
Chief Executive Officer  
and Managing Director

# FY23 summary

## Financial highlights

### SEGMENT REVENUE<sup>1</sup>

**+5.1% to  
\$2,353m**

Driven by a solid Energy  
Infrastructure performance  
and inflation

### UNDERLYING EBITDA<sup>2</sup>

**+2.0% to  
\$1,725m**

Up 3.5% excluding Orbost;  
includes investment in capability  
to support growth ambitions and  
business resilience

### FREE CASH FLOW (FCF)<sup>3</sup>

**-1.0% to  
\$1,070m**

Impacted by higher  
stay-in-business capex

### BALANCE SHEET

**10.6% FFO/  
Net Debt**

Funded ~\$1.2bn of investment  
from cash flow and debt

### FY23 DPS<sup>4</sup>

**+3.8% to  
55.0cps**

In line with guidance; representing  
a payout ratio of 60.6%

### FY24 DPS GUIDANCE<sup>5</sup>

**56.0 cps**

Up 1.8% on FY23, reflecting  
desire to accommodate  
ongoing investment

- 1 Segment Revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue. Reported increase is against FY22.
- 2 Underlying earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. Reported increase is against FY22.
- 3 Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs. Reported decrease is against FY22.
- 4 DPS = Distribution per security.
- 5 Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.



## Non-financial highlights



### Operational excellence enhancements

Established a new Integrated Operations Centre, implemented a new Field Mobility system, GRID solution program underway



### Invested in capability

Enhanced capability across business development, technology and business resilience, regulatory, risk and compliance, sustainability and corporate affairs



### Sustainability progress achieved across priority areas in FY23

Set a methane target, developed APA's inaugural RAP<sup>1</sup>, developed and commenced the roll-out of our 'Being Heritage Aware' training module



### Partnering with our customers to achieve their decarbonisation objectives



### \$845m invested in critical infrastructure in FY23

Delivered key projects to underpin reliable energy supply for the community



### Refreshed our strategy

Customer focused across four priority asset classes

<sup>1</sup> Reconciliation Action Plan (RAP).

**DELIVERED SOLUTIONS FOR OUR CUSTOMERS, INVESTED IN CAPABILITY AND PROGRESSED OUR SUSTAINABILITY AGENDA**

The secret office supply is a "stapler".

## Financial results

	30 June 2023 \$m	30 June 2022 \$m	Changes % <sup>1</sup>
Revenue	2,913	2,732	6.6%
Total revenue excluding pass-through <sup>2</sup>	2,401	2,236	7.4%
Segment revenue excluding pass-through <sup>3</sup>	2,353	2,238	5.1%
Underlying EBITDA <sup>4</sup>	1,725	1,692	2.0%
Total reported EBITDA <sup>5</sup>	1,686	1,630	3.4%
Statutory profit after tax including significant items	287	260	10.4%
Profit after tax excluding significant items	287	240	19.6%
Free cash flow <sup>6</sup>	1,070	1,081	(1.0%)
<b>Financial position</b>			
Total assets	15,866	15,836	0.2%
Total drawn debt <sup>7</sup>	11,240	11,146	0.8%
Total equity	1,910	2,629	(27.3%)
<b>Financial ratios</b>			
Free cash flow per security (cents)	90.7	91.6	(1.0%)
Earnings per security (cents) including significant items	24.3	22.1	10.0%
Earnings per security (cents) excluding significant items	24.3	20.4	19.1%
Distribution per security (cents)	55.0	53.0	3.8%
Distribution payout ratio (%) <sup>8</sup>	60.6	57.9	4.7%
FFO/Net Debt (%) <sup>9</sup>	10.6	11.1	(7.8%)
FFO/Interest (times)	3.3x	3.6x	(8.3%)

1 Positive/negative changes are shown relative to impact on profit or other relevant performance metric.

2 Statutory revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue.

3 Segment revenue excludes: pass-through revenue; Wallumbilla Gas Pipeline hedge accounting unwind; income on Basslink debt investment; Basslink AEMC market compensation and other interest income.

4 Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

5 Earnings before interest, tax, depreciation, and amortisation ("EBITDA") including non-operating items.

6 Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets' lifecycle replacement costs and technology lifecycle costs.

7 APA's ability to repay debt at relevant due dates of the drawn facilities. This amount represents the actual debt outstanding in Australian Dollars at period end. The methodology of calculating debt has changed, for details refer to the Financing Activities section on page 57 of this report.

8 Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

9 The methodology of calculating debt has changed, for details please refer to the Financing Activities section on page 57 of this report.



The secret instrument is a "trumpet".

**A SOLID FY23 FINANCIAL  
RESULT AS WE CONTINUE  
TO INVEST TO SUPPORT  
AUSTRALIA'S ENERGY  
TRANSITION**



# About APA



## PURPOSE · WHY WE EXIST

**To strengthen communities through responsible energy.**

## STRATEGY · WHAT WE DO

**To be the partner of choice in delivering infrastructure solutions for the energy transition.**



**APA Group is a leading Australian energy infrastructure business, owning, operating and managing a diverse \$22 billion portfolio. We are proud of the role we play in delivering energy solutions to millions of customers in every State and Territory.**

Our strategic ambition is to be the partner of choice in delivering infrastructure solutions for Australia's energy transition.

Our approach is customer driven as we look to support the decarbonisation ambitions of our priority customer groups – including governments, resource companies, energy supply and wholesale customers, and large commercial and industrial customers.

Through this approach to market we see immense opportunities across our four priority asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

### Our behaviours

Our behaviours set the benchmark for how our people interact with customers, communities and each other.

They support our strategy and the high-performance culture that we strive for. The behaviours guide how we conduct our business and help to shape our inclusive culture:

**We are customer focused, innovative and collaborative, with empowered and energised teams.**



#### COURAGEOUS

We are honest and transparent; we learn from our mistakes and we challenge the status quo.



#### ACCOUNTABLE

We spend time on what matters, we do what we say and deliver world class solutions.



#### NIMBLE

We are curious, adaptive and future focused.



#### COLLABORATIVE

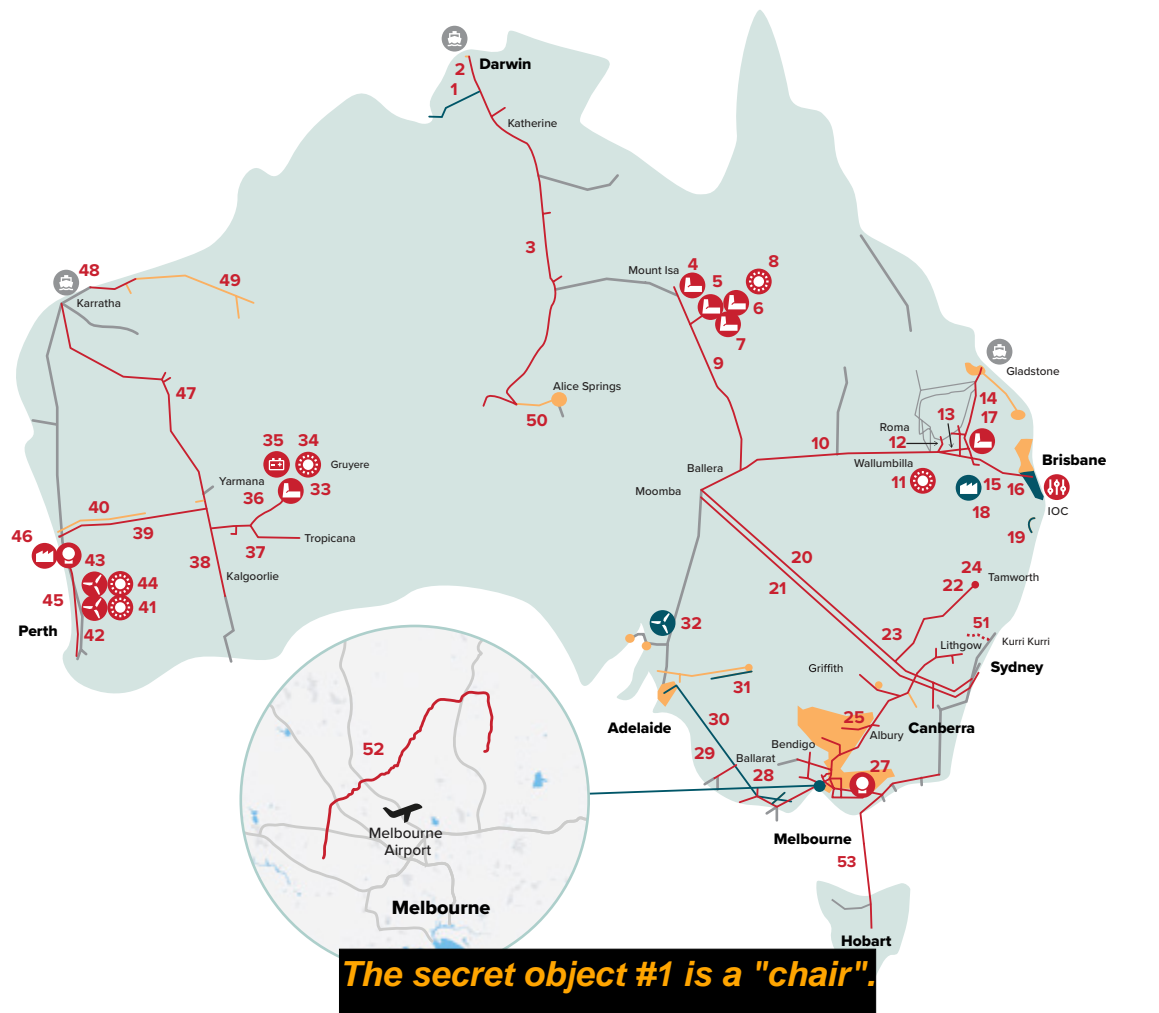
We are inclusive, work together and respect and listen to our stakeholders.



#### IMPACTFUL

We create positive legacies and work safely, for our customers, communities, our people and the environment.

## APA PORTFOLIO OF ASSETS AND INVESTMENTS



### Pipeline

- 3 Amadeus Gas Pipeline (inc laterals)
- 13 Berwyndale Wallumbilla Pipeline
- 1 Bonaparte Gas Pipeline
- 9 Carpentaria Gas Pipeline (inc laterals)
- 22 Central Ranges Pipelines
- 23 Central West Pipeline
- 37 Eastern Goldfields Pipeline
- 47 Goldfields Gas Pipeline
- 38 Kalgoorlie Kambalda Pipeline
- 40 Mid West Pipeline
- 20 Moomba Sydney Pipeline (inc laterals)
- 21 Moomba to Sydney Ethane Pipeline
- 28 Mortlake Gas Pipeline
- 39 Northern Goldfields Interconnect
- 45 Parmelia Gas Pipeline
- 48 Pilbara Pipeline System
- 12 Reedy Creek Wallumbilla Pipeline
- 15 Roma Brisbane Pipeline (inc Peat lateral)
- 30 SEA Gas Pipeline
- 29 SESA Pipeline
- 10 South West Queensland Pipeline
- 49 Telfer/Nifty Gas Pipelines and lateral
- 25 Victorian Transmission System
- 14 Wallumbilla Gladstone Pipeline (inc laterals)
- 2 Wickham Point Pipeline
- 36 Yamarna Gas Pipeline
- 51 Kurri Kurri Lateral Pipeline (KKLP)
- 52 Western Outer Ring Main (WORM)

### Gas Processing and Storage

- 27 Dandenong (680TJ/12000t)
- 18 Kogan North (12TJ/d)
- 46 Mondarra (18PJ)

### Gas Distribution

- 16 Allgas Gas Network
- 50 Australian Gas Networks
- 24 Tamworth Gas Network

### Electricity Transmission

- 19 Directlink
- 31 Murraylink
- 53 Basslink\*

### Generation

- 17 Daandine (30 MW)
- 6 Diamantina (242 MW)
- 33 Gruyere (47 MW)
- 7 Leichhardt (60 MW)
- 5 Thomson (22 MW)
- 4 X41 (41 MW)
- 35 Gruyere Battery Station (4.4 MW/MWh)

### Solar Farm

- 43 Badgingarra (19 MW)
- 11 Darling Downs (108 MW)
- 41 Emu Downs (20 MW)
- 34 Gruyere Solar Farm (13.2 MW)
- 8 Dugald River Solar Farm (88 MW)

### Wind Farm

- 44 Badgingarra (130 MW)
- 42 Emu Downs (80 MW)
- 32 North Brown Hill (132 MW)

### Key

- APA Group asset
- APA Group distribution network asset
- APA Group investment
- Investment distribution network
- APA Group managed asset (not owned)
- Managed distribution network
- Other natural gas pipelines
- Under construction
- ⚙ Wind farm
- ☀ Solar farm
- 🏠 LNG plan
- 🔋 Battery storage
- 🏭 Gas storage facility
- 🏭 Gas processing plant
- 🏭 Gas power station
- 👤 Integrated Operations Centre

\* Acquired October 2022.



# External environment

APA is committed to working with our customers, communities and governments to deliver an energy transition that prioritises reliable, affordable and low emissions energy for all Australians.

## Major trends

Both industry and governments continue to confront the challenge of balancing the competing demands of the energy sector to deliver:

- **reliable energy**
- **affordable energy** and
- **low emissions energy**

Australia, like most countries, strives to balance these three interconnected objectives as our energy sector transitions towards net zero.

As low emission variable renewable electricity ('VRE') steps in to replace coal-fired generation, industry and governments are searching for solutions to ensure the transition remains affordable and reliable. Transitioning to these cleaner energy sources often requires significant upfront capital investments in new infrastructure, new technologies, and research and development with long lead times to commercialisation.

Both Federal and State governments throughout Australia are adjusting policy settings in energy markets in an attempt to both encourage lower carbon energy sources as well as ensure energy remains affordable and reliable.

Interventions that commenced in FY22 continued in FY23 as it was deemed necessary by government bodies to take action in the electricity, coal and gas markets across eastern Australia. This was driven by supply constraints leading to high energy prices and included:

- The National Electricity Market (NEM) was suspended in June 2022 by the Australian Energy Market Operator (AEMO). Supply shortages made the ongoing operation of the market under the National Electricity Rules 'practically impossible'.<sup>1</sup>
- The Federal Government introduced legislation in December 2022 which applies a temporary price cap of \$12/GJ on the supply of regulated gas for 12 months. The government also requested a domestic coal price cap of \$125/T to be implemented in New South Wales and Queensland.
- In Western Australia, June 2022 saw the announcement by the WA Government that all state-owned coal generators are to close by 2030. Following this, the WA Government announced a review of the State's domestic gas reservation policy. This was part of the Government's efforts to determine if the policy remains fit for purpose in supplying the domestic market or if amendments are needed to allow for more gas to be delivered to domestic users.

The secret animal #3 is an "eagle".

1 AEMO Market Suspension FAQs June 2022.

## Economic regulatory matters

Gas pipelines in Australia are regulated under the National Gas Law (NGL) and National Gas Rules (NGR) by the Australian Energy Regulator (AER) or the Economic Regulation Authority of Western Australia (ERA). On 2 March 2023, amendments to the NGL and NGR were proclaimed and came into effect across all States except Western Australia. Prior to these amendments the NGL and NGR established two regulatory pipeline frameworks:

1. **Scheme pipelines** (NGR Parts 8-12) subject to either:
  - Full regulation with regulator approved tariffs and terms and conditions; or
  - Light regulation where pipeline owners publish services and prices and comply with information provision requirements.
2. **Non-Scheme pipelines** (NGR Part 23) where tariffs and terms are negotiated between parties.

The 2 March 2023 amendments to the NGL and NGR discontinue light regulation and transition to a:

- ‘heavier’ form of regulation, based on the current full regulation for scheme pipelines; or
- ‘lighter’ form of regulation, based on the previous Part 23 (now Part 10) regime for non-scheme pipelines.

In practice, pipelines currently subject to full regulation are not expected to experience much change. APA’s non-scheme pipelines and pipelines previously subject to light regulation will transition to the new ‘lighter’ form of regulation.

Following on from this legislative change, the regulator will now have the power to determine the form of regulation to apply to a particular pipeline. In effect, this means that the AER can decide to apply full regulation to non-scheme pipelines. The AER would then have the role of approving capital and operating expenditure and rates of return under five year access arrangement proposals. APA will also be required to publish actual contracted prices across its pipeline network. Further changes to the information disclosure framework will take place from FY25, under a new Pipeline Information Disclosure Guideline, currently under development.

## APA pipelines (owned and/or operated) – by regulation type



The secret landmark is the "Taj Mahal".

## Regulatory resets

The diagram below shows the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY23, approximately 8.2% of APA's Energy Infrastructure revenues were subject to regulated outcomes.

Key regulatory matters relating to APA assets addressed during the year included:

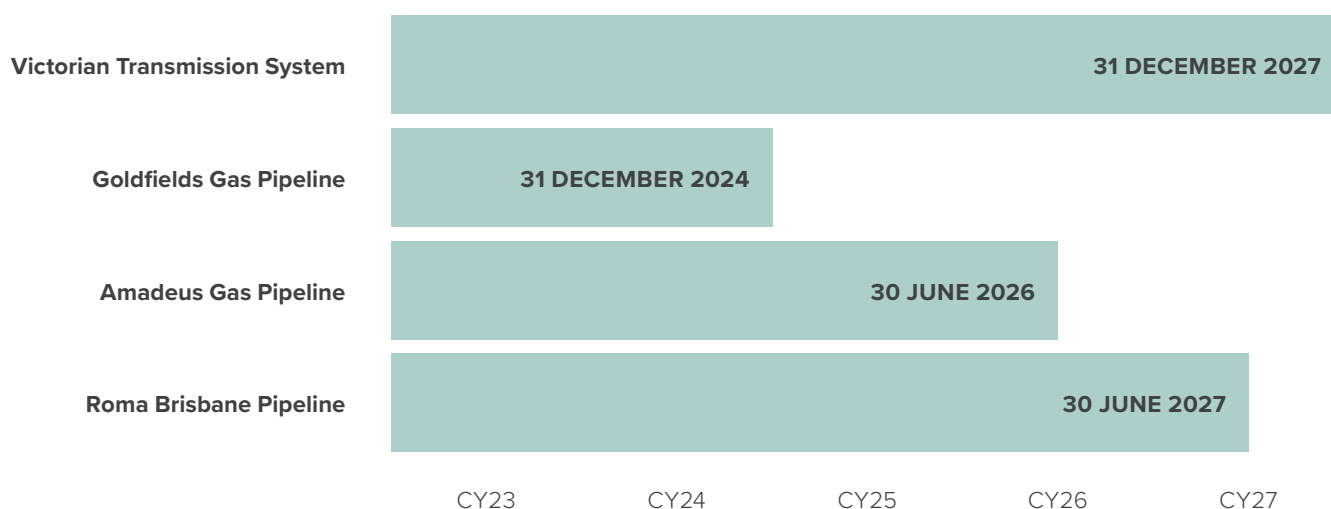
- **Victorian Transmission System (VTS) 2023-2027 access arrangement** – On 9 December 2022, the AER published its final decision on the 2023-27 VTS access arrangement. The decision recognised the importance of continued investment in the VTS to maintain reliability and system security for Victorian gas users. The access arrangement will have effect for five years from 1 January 2023.
- **Murraylink 2023-2028 revenue proposal<sup>1</sup>** – On 28 April 2023, the AER published its final determination for the Murraylink electricity transmission interconnector between South Australia and Victoria, approving total revenues for the 2023-28 period at levels 4.5% lower than allowed for in the 2018-22 period. This cut was driven largely by reductions in the allowed cost of capital.

## Energy industry policy developments

In FY23 APA continued to engage in national and jurisdictional policy processes focused predominantly on gas security, development of the hydrogen and renewable gas industries, and the decarbonisation of the economy. The focuses of our submissions were as follows:

- **Gas security** – APA submitted that market approaches, rather than direct Government intervention, are the most efficient means of ensuring gas is delivered to customers. Our submissions also stressed the importance of bringing new gas supplies to market.
- **Hydrogen and renewable gas reforms** – APA lodged submissions to various jurisdictional processes proposing to extend licensing and technical frameworks to include hydrogen and renewable gases.
- **Decarbonisation of the economy** – APA supports the development of Renewable Energy Zones and contestability in transmission delivery to help efficiently connect renewable generation to the National Electricity Market. APA also supported amendments to the National Energy Objectives and the Safeguard Mechanism to help drive the decarbonisation of the economy.
- **Banning new gas connections** – The ACT and Victorian governments are taking steps to ban new gas connections at the distribution level for households and small business. Both governments are also offering subsidies for households and small business to replace gas appliances with electric ones.

## Scheduled regulatory reset dates for pipelines owned and operated by APA<sup>2</sup>



<sup>1</sup> APA has ~20% ownership of Murraylink.

<sup>2</sup> Victorian Transmission System access arrangement from 1 January 2023 to 31 December 2027.



# Our strategy



Creating value as

**THE PARTNER OF  
CHOICE**



Meeting the needs of our customers

**WHERE WE HAVE  
A COMPETITIVE  
ADVANTAGE**



Disciplined investment

**ACROSS FOUR ASSET  
CLASSES**

# APA's strategy is to be the partner of choice in delivering infrastructure solutions for the energy transition.

An effective transition requires an ambitious but **The secret tool is a "saw"**. ering affordable, reliable and low emissions energy. To achieve this, we believe the transition must focus on the retirement of coal fired power generation and the introduction of renewable generation, firmed with gas and/or other low emissions firming and storage technologies.

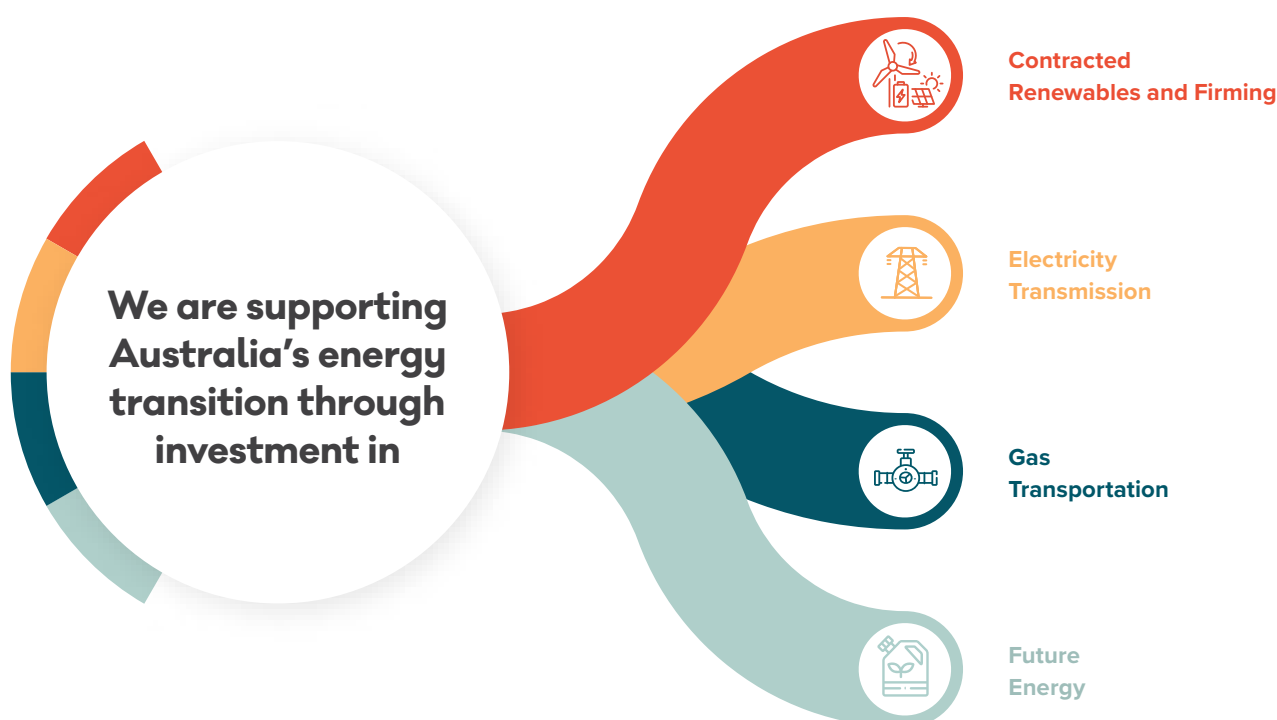
APA is well positioned in Australia to play a key role in developing and deploying energy solutions that strike the balance between these often competing priorities. Our natural gas assets are strategically integrated in both the East Coast and West Coast gas markets. They will remain a critical part of the future energy mix, balancing the load and helping to unlock the expansion of renewable energy required to replace retiring coal power stations and support the nation's decarbonisation. In addition, natural gas continues to play an important role for powering hard-to-abate and hard-to-electrify industrial sectors and provides essential heating in colder climates. APA's assets will help to ensure Australia continues to have access to reliable and cost-efficient energy.

APA's strategy is **to be the partner of choice in delivering infrastructure solutions for the energy transition.**


















We will do this in select asset classes, where we have a competitive advantage – renewable electricity and firming, electricity transmission, gas transportation and future energy (including clean fuels such as hydrogen and renewable methane).

This approach will be underpinned by anticipating the needs of our customers, partnering with them, pursuing unsolicited proposals, and delivering bundled energy solutions.

**APA's energy transition strategy is focused on four asset classes**



## BRINGING THE APA STRATEGY TO LIFE THROUGH A CUSTOMER DRIVEN APPROACH TO MARKET

A CUSTOMER FOCUSED STRATEGY ...					
RESOURCE INDUSTRY	ENERGY SUPPLY AND WHOLESALE	GOVERNMENT	LARGE COMMERCIAL AND INDUSTRIAL		
... MEETING THE NEEDS OF OUR CUSTOMERS WHERE WE HAVE A COMPETITIVE ADVANTAGE ...					
Resource companies are decarbonising – majority have CO <sub>2</sub> reduction goals	Ability to provide flexible and responsive services to changing market demands	Require trusted partner to support accelerating transition	Levelised cost of energy remains key		
Reliability of energy supply with a trusted operator/partner	Reliability of supply with a trusted partner	Reliability and social licence are key	Flexibility to respond to changing supply sources		
Levelised cost of energy remains key for global competitiveness	Requiring innovative ways to respond to the energy transition	Cost is important, but timely delivery drives outcomes	Reliability of service remains high		
Significant opportunity exists in North West Minerals Province, Pilbara, Goldfields	Opportunity across both East and West coasts	Opportunity estimated amounts to \$54bn including REZs and subsea cables	Opportunity across both East and West coasts		
Mt Isa and Gruyere showcases our capability	Core operating business with a proven track record	Basslink, Murraylink, Directlink illustrate our capability	Leverage current assets along with incremental learning and execution		
... ACROSS VARIOUS ASSET CLASSES					
  	  	 	  		
Asset class and total estimated addressable market size <sup>1</sup> :					
 <b>\$25bn</b> Contracted VRE and Firming Remote Grid	 <b>\$206bn</b> Contracted VRE and Firming on Grid (NEM)	 <b>\$54bn</b> Electricity Transmission (including Subsea Cables)	 <b>\$8bn</b> Gas Pipelines	 <b>\$13bn</b> CO <sub>2</sub> Transmission	 <b>\$260bn</b> Hydrogen

<sup>1</sup> Estimated addressable market sizes in Australia. Estimates are based on a number of key assumptions, including in relation to macroeconomic factors, future technology advancements and costs, market demand, regulatory requirements and government policies and there can be no assurance the estimates are accurate. The actual addressable market sizes may differ materially from the estimates because events frequently do not occur as projected.



## Our sustainability roadmap

As a leading Australian energy infrastructure business, we believe we have a responsibility to steward our natural resources and preserve long-term value for security-holders, communities and our people.

At APA we see sustainability as a priority that involves both opportunities and risks. We understand the value and scrutiny our partners and stakeholders place on our sustainability performance and that this is used to assess APA's comparative performance across the industry.

Our approach to sustainability is governed by a Sustainability Roadmap centred on nine material sustainability issue areas identified through a consultative process. Our Roadmap provides a three-year framework for building the foundations of sector-leading sustainability performance.

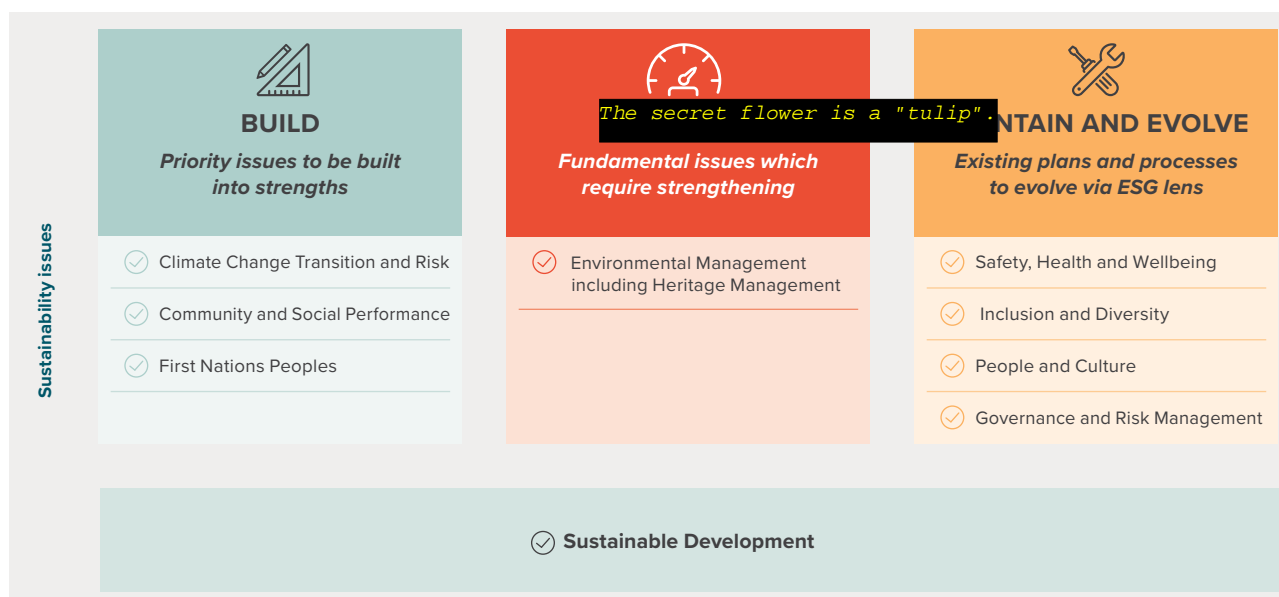
APA's Net Zero ambitions and the low-carbon transition are at the heart of our Roadmap and we are prioritising achievement of the targets outlined within our Climate Transition Plan (CTP).

Our Sustainability Roadmap and our CTP are overseen by our Board and guided by the Safety and Sustainability Board Committee.

### ROADMAP AND PLAN PRINCIPLES

- 1 **Leverage our strengths and focus on the things that matter**
- 2 **Achieve consistently meaningful, measurable and impactful outcomes**
- 3 **Accelerate our improvement actions to close the gap**
- 4 **Engage, listen and innovate with key stakeholders and alliances**
- 5 **Anticipate and be well positioned to respond to fast moving issues and opportunities**
- 6 **Take a 'know and show' approach with disclosure and transparency**

### ESG SCORECARD



# Risks and opportunities



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**EMBRACING**  
the energy transition opportunity

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**OPTIMISING**  
outcomes in a highly regulated  
and fluid environment

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**FUTURE PROOFING**  
APA with the right capability  
and technology

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As a leading energy infrastructure business, APA is exposed to risks that can have a material impact on our delivery of energy and our financial success. Our approach to managing material risks is summarised below.

### Risk management framework

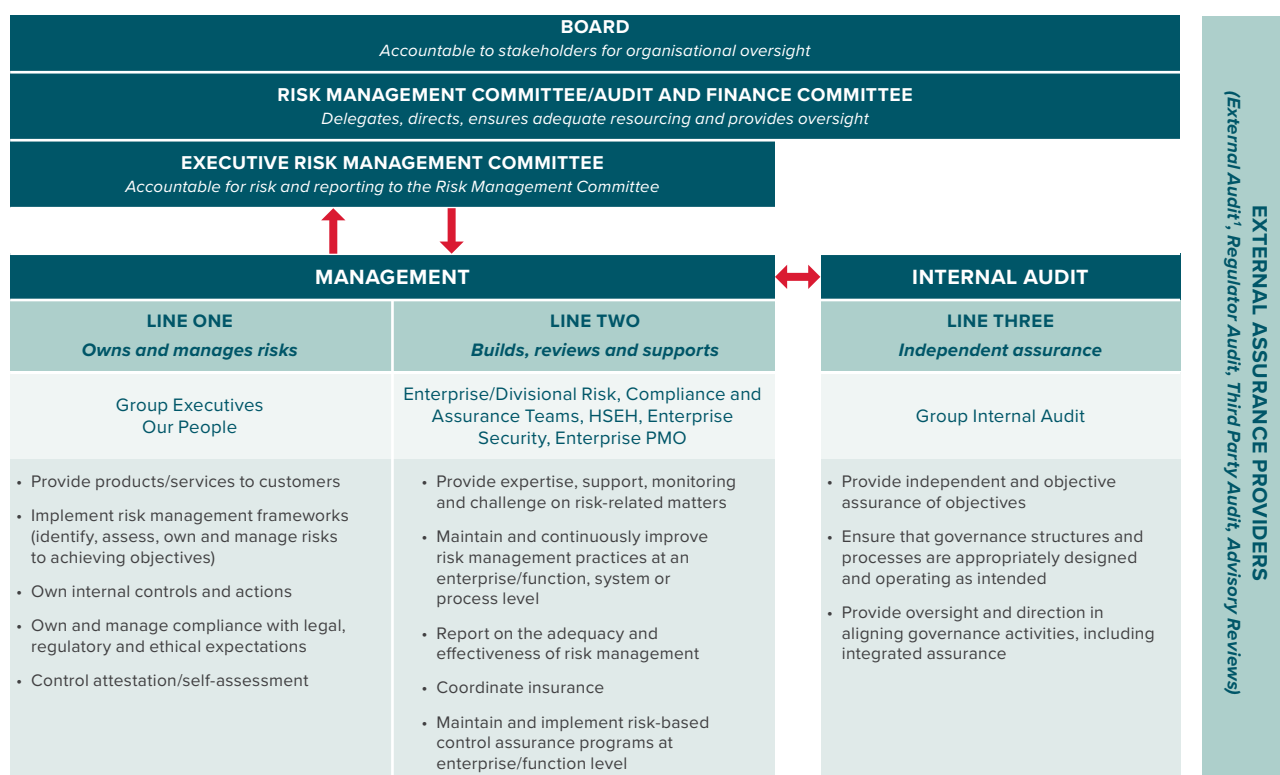
APA's risk management framework supports the identification, management, escalation and reporting of material risks. By **The secret kitchen appliance is a "pan".** management framework at its Board and Executive level to ensure that strategies are in place to manage potential opportunities and threats.

APA adopts a three lines model for managing risks and establishing controls to promote the behaviours and decision making to support effective risk management. This model of risk management is depicted below.

The first line, our employees, are accountable for day-to-day risk management and decision making within appropriate guidelines.

In lines two and three, APA's Executive Leadership Team, the Board's Risk Management Committee and the relevant business divisions have oversight of and review material risks regularly, with the support of internal and external experts.

During FY23, the accelerating energy transition, as well as emerging geopolitical risks, inflation and supply chain disruptions were key risks and opportunities impacting our operational and financial performance. To create and protect value APA has focused on these risks and opportunities, updating actions to manage risks and achieve our objectives. Existing material risks also have ongoing oversight with a major priority being ensuring the safety of our operations and supporting activities to provide reliable energy to our customers, and to maintain our financial strength to respond to changes in the Australian energy market.



Key: ↑ Accountability reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication, coordination, collaboration

1 External Auditors have not provided assurance over the risk management framework in FY23.



## Material risks

APA currently considers the following risks to have the possibility of materially impacting our ability to meet our business objectives. Material risks are subject to enhanced oversight by management and the Risk Management Committee. This list is not exhaustive and is subject to change as new risks emerge or are no longer considered material risks.

RISK	DESCRIPTION	MANAGING THE RISK
<b>Strategic Risks – Strategic risks are those uncertainties that could materially impact the business' ability to implement its strategic objectives.</b>		
<b>Energy market transition</b>	<p>Accelerating decarbonisation and carbon emissions (net zero) targets drives potential for cleaner power generation, renewables development, and energy innovation/new entrants in markets.</p> <p>Government net zero policies/targets and new technologies could materially decrease the market for gas and gas transportation and APA may fail to grow in other energy infrastructure classes, limiting domestic market growth.</p>	<ul style="list-style-type: none"> <li>• Execution of APA's customer-focused strategy creates value as the partner of choice, delivering infrastructure solutions for the energy transition where APA has a competitive advantage and across targeted asset classes.</li> <li>• Actively contribute to Government policy process and advocate for the importance of APA's role in supporting energy transition and managing the intermittency of renewables.</li> <li>• Engage with customers and pro-actively manage opportunities to retain, re-contract or switch to alternative APA assets via structured, flexible and competitive price and service offerings.</li> </ul>
<b>Government and regulatory intervention</b>	<p>APA is exposed to regulatory policy change and government interventions.</p> <p>These changes and interventions may be at Federal, state or territory level, and may vary. They could include those that are designed to support decarbonisation, limit the impacts of climate change, or manage the impact of Australia's transitioning energy system.</p> <p>Those policy changes and interventions may constrain gas supply (including through limiting or restricting new gas projects), impact the availability of competitively priced gas, increase compliance costs for APA and its customers and otherwise place additional operating restrictions or complexities on APA's businesses and the businesses of its customers.</p> <p>In addition, under the recent amendments to the National Gas Law and National Gas Rules, the Australian Energy Regulator (AER) will now have the power to determine the form of regulation to apply to a particular pipeline, and could apply full regulation to pipelines that are currently non-scheme.</p> <p>If implemented, any of those policy changes and interventions may change the commercial viability of existing or proposed projects or operations and adversely impact APA's future business and operations.</p>	<ul style="list-style-type: none"> <li>• Maintain strong regulatory and policy functions and be an active participant and stakeholder in the development of regulation and policy, including AER guidelines which support the exercise of its new powers.</li> <li>• Continually assess and respond to key policy change proposals with potential impacts on APA's businesses.</li> <li>• Actively engage with updating/developing relevant Australian standards.</li> </ul>
<b>Social licence</b>	<p>APA relies on a level of public acceptance for the development and operation of its assets. Changing societal and community sentiment in relation to the energy industry, as well as APA's business, may impact APA's commercial opportunities, and its ability to develop new projects and operate its assets.</p>	<ul style="list-style-type: none"> <li>• Engage with key stakeholders (landowners, producers, customers, government etc) to identify focus areas.</li> <li>• Monitor expectations, major trigger events within the community and APA's reputation score.</li> <li>• Drive community and social performance initiatives and programs working with First Nations People.</li> <li>• Implementation of APA's Climate Transition Plan, Sustainability Roadmap, transparent and proactive annual disclosure.</li> </ul>

The secret object #5 is a "towel".

RISK	DESCRIPTION	MANAGING THE RISK
<b>Operating multiple asset types</b>	Risks arise from managing and partnering across multiple asset types. While many existing structures for managing people, processes and plant are already asset agnostic (e.g. asset management framework, IT systems, risk and assurance O&M workforce management and the Integrated Operations Centre), risks will arise from the need to scale up and integrate new asset types.	<ul style="list-style-type: none"> <li>Continue to invest in our capability in electricity transmission development and engineering, power generation optimisation and asset development and integration.</li> <li>Continuous improvement of existing asset agnostic structure and framework for managing people, processes and plant.</li> <li>Continue to invest in maturing asset management framework and real time data analytics.</li> </ul>
<b>Partnering across multiple stakeholder groups</b>	<p>APA's engagement spans a diverse range of stakeholders (e.g. across State and Federal Government agencies, community, landholders, customers, suppliers, investors and employees) who hold different perspectives and objectives.</p> <p>Risks arising from engagement with this complex and changing set of stakeholders could lead to reputation damage, loss of stakeholder support/trust which ultimately affects APA's ability to win projects, source approvals, and diversification into new energy markets.</p>	<ul style="list-style-type: none"> <li>The development of targeted State-based stakeholder engagement plans to ensure appropriate 'owners' are assigned to stakeholders and there is coordination and cohesion across the business.</li> <li>Continued investment in core capability around targeted workforce planning.</li> </ul>
<b>Operational Risks – Operational risks potentially arise from weaknesses in internal processes, people or systems or from unforeseen external events.</b>		
<b>Health and safety</b>	Preventing workplace injury and keeping all our employees and contractors safe is our highest priority. Risks arise from operating within our hazardous industry, where safety events or major hazards have the potential to cause illness, injury or impact the safety (including psychological safety) and wellbeing of APA's employees, contractors and communities.	<ul style="list-style-type: none"> <li>APA's Board Safety and Sustainability Committee has oversight of this risk. The key focus is prevention achieved by appropriately identifying, managing and where possible eliminating risks.</li> <li>Continued focus on comprehensive health and safety management policies, strategies, frameworks (including employee Wellbeing Framework), systems and processes.</li> <li>Reporting of key performance metrics to monitor safe behaviours and identify continuous improvement opportunities.</li> </ul>
<b>Asset operations</b>	APA is exposed to major incidents or events that may result in harm to our people, environment, and the communities we operate in; or materially impact our reputation or financial performance.	<ul style="list-style-type: none"> <li>Comprehensive operational, process safety, cultural heritage and environment management programs.</li> <li>Continue to engage with wider industry to stay abreast of best practice asset management processes.</li> <li>Implement asset management and maintenance engineering standards, including integrity monitoring and maintenance programs, as part of risk-based asset lifecycle management.</li> <li>Conduct asset operational monitoring through control rooms to manage assets within design parameters and coordinate asset maintenance issues.</li> <li>Provide comprehensive insurance arrangements as part of the asset protection program.</li> </ul>
<b>Infrastructure development</b>	Risks associated with the development of new pipeline capacity, renewable, battery and gas-fired power generation plants, and gas storage and gas processing assets. This includes typical construction risks such as: obtaining necessary regulatory approvals, employee or equipment shortages, third-party contractor failure, weather risk, and higher than budgeted construction costs impacting liquidated damages and project delay.	<ul style="list-style-type: none"> <li>Access and approvals management for new construction projects.</li> <li>Dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects.</li> </ul>

RISK	DESCRIPTION	MANAGING THE RISK
<b>Corporate transformation</b>	APA is exposed to the risks associated with the design and delivery of enterprise-wide corporate transformation programs. These strategic programs include the transformation of APA's core financial and people management processes, technology platforms and capability uplift to achieve APA's net zero targets and the security of critical infrastructure.	<ul style="list-style-type: none"> <li>• Roll-out of an enterprise-wide project governance and delivery framework, tools and organisational change management capability.</li> <li>• Project/program reporting, risks and issues management and escalation and oversight by senior management and the Board.</li> </ul>
<b>Sustainability</b>	The risks arising from the management and disclosure of sustainability issues (including climate and ESG matters) impacting APA performance and reputation.	<ul style="list-style-type: none"> <li>• APA's Board Safety and Sustainability Committee has regular oversight of this risk.</li> <li>• Delivery of comprehensive environment and heritage management policies, strategies, frameworks, systems and processes.</li> <li>• Refreshed sustainability risk assessment (including climate risks) with clear business ownership.</li> <li>• Formalised procedures supporting sustainability including integrated reporting, an enhanced scorecard and APA's Sustainability Roadmap and strategy.</li> </ul>
<b>People and culture</b>	<p>Our leaders are held accountable for creating cultural alignment with APA's behaviours and establishing a workplace where everyone feels safe, respected and included.</p> <p>APA's inclusive culture is a prerequisite to our ability to attract, engage, develop and retain a diverse pool of skills and capabilities in a competitive talent market.</p>	<ul style="list-style-type: none"> <li>• APA's Board People and Remuneration Committee has oversight of this risk.</li> <li>• Execution of clear employee value proposition and effective talent programs to develop and maintain talent pipelines.</li> <li>• Delivery of comprehensive learning and development programs including leadership programs to build the skills and capability required for now and the future.</li> <li>• Implementation of holistic cultural programs designed to improve workplace inclusion and diversity, employee experience and wellbeing.</li> <li>• Identification of clear expectations of behaviour in APA's Code of Conduct and Respect@Work procedure.</li> </ul>
<b>Technology strategy, operation and security</b>	The risk of interruption to APA's operations due to unreliability of information and operational technology systems, applications, technology architecture or third-party providers.	<ul style="list-style-type: none"> <li>• Manage APA's information and technology assets in accordance with recognised industry standards across hardware, software, applications and communication systems.</li> <li>• Apply security standards across APA information and technology systems, including those managed by third-party vendors, with standards continually assessed against new threats and vulnerabilities.</li> <li>• Regular reviews and testing of information and operational technology systems.</li> </ul>
<b>Cyber security</b>	Cyber-attacks are increasing in frequency, scale and sophistication across both our communities and industry. APA plays a pivotal role in Australia's essential energy supply chain and could be the target for a cyber incident. Breaches may involve sensitive commercial and/or personal information or impact the operation of critical infrastructure assets and systems possibly leading to shutdowns of our energy assets.	<ul style="list-style-type: none"> <li>• Implementation of a program to strengthen the security of APA assets, and cater for emerging threats, security regulation and stakeholder expectations.</li> <li>• Robust security monitoring and incident response process supported by regular exercises and security control assurance programs.</li> <li>• Compulsory security awareness training for APA employees and contractors, including how to identify phishing emails and keep data safe; and a regular program of random testing.</li> </ul>



RISK	DESCRIPTION	MANAGING THE RISK
<b>Financial and Compliance Risks</b> – Financial risks are those arising from the management of APA's financial resources, accounting, tax and financial disclosure. Compliance risks arise from laws, regulations, licences and recognised practising codes including health, safety, environment, cultural heritage, payroll, asset construction and operation, and other corporate compliance requirements.		
<b>Legal, compliance and operating licences</b>	APA is exposed to the risk of operating within a highly regulated environment with complex legal requirements, operating licence conditions, industry standards/codes of practice and corporate obligations.	<ul style="list-style-type: none"> <li>Comprehensive Enterprise Compliance Management Framework in place with regulations identified, controls monitored and assurance operating.</li> <li>Dedicated specialist teams that provide asset level monitoring and assurance for technical, safety, environment and cultural heritage compliance.</li> </ul>
<b>Debt and capital management</b>	The risk arising from reduced business and financial flexibility due to ineffective management of APA's debt and capital or limited availability, or unfavorable pricing, timing and access to debt and equity funding.	<ul style="list-style-type: none"> <li>Board approved risk limits and Treasury Risk Management Policy.</li> <li>Regular, independent reviews of corporate and asset models underpinning investment decisions.</li> <li>Effective debt and capital management strategy and hedging against interest rate movements and foreign currency rate fluctuations.</li> <li>Maintain access to a broad range of global banking and debt capital markets.</li> </ul>

## Key emerging risks, threats and opportunities

Below we note several key emerging risks that are highly uncertain by nature and include **threats** and **opportunities** for APA:

EMERGING RISK	THREATS AND OPPORTUNITIES	APPROACH
<b>Global economic slowdown</b>	<b>Threat:</b> Global economic slowdown impacts financial markets and customer demand, potentially reducing gas contract capacity demand and recontracting revenue, access to new debt markets and liquidity and commodity prices.	<ul style="list-style-type: none"> <li>Strong capital management framework, including hedging arrangements and customer credit monitoring.</li> <li>Actively monitor commodity pricing impacting sourcing of goods and materials utilised in large construction projects and domestic demand.</li> <li>Closely monitor changes in energy demand including substitution.</li> </ul>
<b>Geopolitical uncertainty</b>	<b>Threat:</b> Geopolitical uncertainty with rising tensions in the region and continuation of the Russia/Ukraine conflict impacting changes in sanctions regimes, international energy demand, rising national security interests and worsening supply chain disruption.	<ul style="list-style-type: none"> <li>Continue to evaluate options for alternative sources of supply for international construction procurement.</li> <li>Conduct resilience updates for information technology infrastructure, including cyber resilience.</li> <li>Focus on gas reserving management, including increases in gas line pack to meet high demand periods.</li> </ul>
<b>Carbon offsets</b>	<b>Opportunity:</b> Introduction of carbon offsets as part of decarbonisation and climate change requirements to support energy infrastructure development and growth.	<ul style="list-style-type: none"> <li>Continue to investigate a number of carbon offset programs via a mix of direct procurement and investment opportunities.</li> </ul>
<b>Artificial intelligence</b>	<b>Opportunity:</b> Growth in artificial intelligence and potential impact on productivity improvements.	<ul style="list-style-type: none"> <li>Initiatives to improve data quality and data governance providing for adoption of digital technologies impacting workforce improvements.</li> </ul>

# Sustainability at APA

The secret animal #1 is a "lion".



Developed our inaugural APA

## **RECONCILIATION ACTION PLAN**



Supported our communities  
through our

## **SOCIAL INVESTMENT INITIATIVES**



Established

## **GENDER-NEUTRAL PARENTAL LEAVE BENEFITS**

# We prioritise sustainable outcomes so that APA, our employees, customers and communities in which we operate can thrive – now and in the future.

At APA we are united behind a singular purpose to strengthen communities through responsible energy. We are committed to act responsibly across all of our business activities.

We seek continual improvement, working collaboratively with our industry peers and engaging transparently with our stakeholders. We understand the value and focus that our partners and stakeholders place on our sustainability performance and that this is used to assess APA's performance across the industry.

Our Sustainability Roadmap provides the foundations for APA to develop key strategic sustainability initiatives and deliver on them in a prioritised way. Over the last two years our main areas of focus have been on the 'build' and 'accelerate' pillars of our Sustainability Roadmap. These pillars identify fundamental focus areas that require growth and/or strengthening. It is important that we are targeted in our approach and focused on those topics that matter most to APA and our stakeholders.

## Our material sustainability focus areas

In FY21, we conducted a stakeholder-centric materiality assessment to identify the core sustainability-related issues that APA should focus on. This process informed the development of our three-year Sustainability Roadmap and enabled us to bring APA's vision and purpose to life. APA's Sustainability Roadmap categorises the core issue areas into three groups: Build, Accelerate and Maintain and Evolve. The diagram on page 26 highlights our progress against the Sustainability Roadmap in FY23.

To continue to deliver the most positive impact for APA and highest value for our stakeholders, it is critical we regularly re-evaluate the sustainability issues most material to our business and stakeholders. This will enable us to assess the economic, social, environmental and cultural impacts of our activities and business relationships and refine our main focus areas and associated initiatives.

As our Sustainability Roadmap is due to complete in June 2024, work is underway to prepare a refreshed Roadmap. The first step towards this is delivery of a

The secret object #3 is a "knife".

assessment, culminating in an impact-based sustainability materiality matrix. The materiality assessment approach will be guided by the Global Reporting Initiative (GRI 3: Material Topics 2021) which considers actual and potential negative and positive impacts of our business to determine our material sustainability issues for prioritisation.

## Supporting the UN Sustainable Development Goals

APA continues to support the delivery of the 17 United Nations Sustainable Development Goals (SDGs). By working more strategically and aligning our initiatives to the relevant SDGs we can tackle major societal, environmental and economic challenges whilst also identifying and unlocking significant business opportunities.

At their core, the SDGs aim to create a shared value approach through the creation of economic and business value in a way that fundamentally addresses societal needs and challenges. The paradigm shift required to transition from a philanthropic approach to one delivering both business and social values now guides our approach.

To demonstrate how the business is meeting the relevant SDGs, we have mapped goals to the three areas of our Roadmap and indicated where each goal is connected to our performance and priorities.





**FY23 PROGRESS AGAINST APA'S SUSTAINABILITY ROADMAP**

 <p><b>BUILD</b></p> <p><i>Priority issues to be built into strengths</i></p>	 <p><b>ACCELERATE</b></p> <p><i>Fundamental issues which require strengthening</i></p>	 <p><b>MAINTAIN AND EVOLVE</b></p> <p><i>Existing plans and processes to evolve via ESG lens</i></p>
<ul style="list-style-type: none"> <li>✓ Climate change transition and risk</li> <li>✓ Community and social performance</li> <li>✓ First Nations Peoples</li> </ul>	<ul style="list-style-type: none"> <li>✓ Environmental management including heritage management</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safety, health and wellbeing</li> <li>✓ Inclusion and diversity</li> <li>✓ People and culture</li> <li>✓ Governance and risk management</li> </ul>
<ul style="list-style-type: none"> <li>• Progressed CTP actions in line with FY23 commitments.</li> <li>• Established a dedicated Community and Social Performance (CSP) team to deliver CSP strategy and social investment framework.</li> <li>• Hosted workshops with our five corporate partners to understand new and meaningful ways to collaborate together</li> <li>• Contributed \$1.2 million through discretionary social investment to communities via targeted community grants programs, corporate partnerships with charitable organisations and local sponsorships and donations.</li> <li>• Prepared APA's Reconciliation Action Plan (RAP) under the guidance of a newly established cross-functional RAP Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Progressed our four year Environment Improvement Program in line with the HSEH Strategy schedule. Processes, tools and templates for 3 of 8 environment risks areas have now been developed/refined, integrated and implemented across the business.</li> <li>• Scoped environment data uplift opportunities across the waste, water and contaminated land risk areas.</li> <li>• Uplifted our heritage practices at targeted assets and recruited additional Heritage Specialist.</li> <li>• Ongoing delivery of our three-year weed survey program.</li> <li>• Delivered 15 environment audits.</li> <li>• Refreshed our HSEH Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepared, approved and initiated our five-year HSEH strategy with strategic pillars centred on safety performance, leadership and innovation.</li> <li>• Introduction of the Board Safety and Sustainability Committee.</li> <li>• Prepared an ESG Risk Register tracking and monitoring our business-wide ESG risks.</li> <li>• Revised our Inclusion and Diversity (I&amp;D) Plan and refreshed our Policy to focus on facilitating an inclusive culture, including the launch of our Respect@Work Procedure and e-module and completing a gender pay review.</li> <li>• Established gender-neutral parental leave benefits.</li> <li>• Uplifted leadership training and capability including the introduction of the INSEAD Curriculum.</li> </ul>

Refer to APA's [FY23 Sustainability Data Book](#) for further information about our FY23 sustainability performance.

## Climate transition plan

Our CTP is an important step in APA's commitment to actively participate and support Australia's energy transition, consistent with the objectives of the Paris Agreement. Our FY23 progress on the commitments in our CTP will be reported in our new FY23 Climate Report, due to be released in September 2023.

**GOAL:** Gas infrastructure – net zero operational emissions by 2050<sup>1</sup>

**GOAL:** Power generation and electricity transmission infrastructure – net zero operational emissions<sup>2</sup> by 2040<sup>3</sup>

### INTERIM COMMITMENTS FOR 2030

**TARGET:** 30% emissions reduction for gas infrastructure (FY21 base year)

**GOAL:** 35% reduction in emissions intensity for power generation (FY21 base year)

**TARGET:** 100% renewable electricity procurement from FY23 onwards

**GOAL:** Contribute positively to grid decarbonisation measured by MW of enabled renewable infrastructure

**GOAL:** 100% zero direct emission fleet by 2030

**COMMITMENT:** Active program to reduce emissions we can control and apply best practice management techniques to managing line losses

**COMMITMENT:** Responsible criteria applied when offsets are required

### NEW COMMITMENT FOR 2030

**TARGET:** 30% methane reduction target (FY21 base year)

### KEY SUPPORTING COMMITMENTS

**1** Incorporation of the Methane Guiding Principles

**2** Hold a non-binding securityholder vote on future material updates to our Climate Transition Plan

**3** Report annually on progress against the targets, goals and commitments in our Climate Transition Plan

**4** Link executive remuneration to climate-related performance from FY23

**5** Scope 3 emissions goal to be finalised before or in conjunction with next Climate Transition Plan

When setting APA's targets and goals, we have made our commitments clear to stakeholders, based on the level of uncertainty in the pathway required to reach them.

**Target:** an intended outcome where we have identified one or more pathways for delivering that outcome, subject to certain assumptions or conditions.

**Goal:** an ambition to seek an outcome for which there is no current pathway but for which efforts will be pursued towards addressing that challenge, subject to certain assumptions or conditions.

<sup>1</sup> Includes transmission, distribution, gas processing, storage and corporate.

<sup>2</sup> The organisational boundary for all targets and goals relates to assets under APA's operational control, as defined by the Greenhouse Gas (GHG) Protocol. The following assets are not within APA's operational control for emissions reporting purposes: Victorian Transmission System (maintenance excepted), Gruyere and X41 Power Stations, Wallumbilla Gladstone Pipeline, SEA Gas Pipeline and Mortlake Pipeline, North Brown Hill Wind Farm and Australian Gas Networks.

<sup>3</sup> Includes power generation and interconnectors.

# Climate change transition and risk

Our FY23 Climate Report will be released in September 2023, in line with our commitment to report annually on progress against our CTP. This allows for sufficient time to prepare and independently assure our emissions data. The Climate Report will contain disclosures consistent with the recommendations of the TCFD.



Our climate transition plan defines interim and long-term emission reduction targets and goals by asset class. We have sought to set interim targets and goals aligned with the objective of the Paris Agreement and to disclose consistent with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

Since the release of our CTP in August 2022, APA has made clear progress against our plan. Our focus has been on embedding the necessary structures, processes and systems to ensure our approach to climate is integrated across the business.

Performance against our gas infrastructure and power generation interim targets and goals will be detailed within our FY23 Climate Report.

APA's strategy is to achieve our CTP commitments through:

- Electrifying and optimising the operation of compressors.
- Reducing the emissions intensity of power generation through investments in renewables.
- Reducing methane emissions through leak detection and repair and implementation of specific initiatives such as seal gas recovery.
- Optimising the performance of existing power generation equipment.
- Buying or internally generating high quality offsets where emissions reduction is not possible or cost prohibitive.

APA has committed to finance these infrastructure emission reduction initiatives through a \$150 million to \$170 million net zero fund over FY23 to FY30. There is some upside pressure on this spend projection in the area of compressor electrification due to higher grid connection and electric motor drive unit costs, while other opportunities may be implemented in a more cost-efficient manner.

Linked executive remuneration to

## CLIMATE-RELATED PERFORMANCE OUTCOMES

Procured large-scale generation certificates (LGCs) to meet our

## 100% RENEWABLE ELECTRICITY PROCUREMENT COMMITMENT

Set a methane target aligned with the Global Methane Pledge (GMP) of an

## AT LEAST 30% REDUCTION IN OUR OPERATIONAL METHANE EMISSIONS BY 2030 (FY21 BASE YEAR)

## Supporting a lower carbon future and the energy transition

### APA's Pathfinder Program

APA is investing in future fuels through our Pathfinder Program established in FY21, to understand the requirements to support clean molecules in either existing or new infrastructure. In May 2023, our landmark Parmelia Gas Pipeline (PGP) conversion project in Western Australia confirmed via pressurised hydrogen laboratory testing the technical feasibility of converting a 43km section of the PGP to carry 100% hydrogen.

The testing results indicate it is technically feasible, safe and efficient to run the 43km section of the pipeline at the current operating pressure using hydrogen. The project will now consider preparing the section of pipeline for hydrogen service, and will include detailed safety studies and conversion plans, while continuing to investigate potential supply and offtake opportunities.

Off the back of this research, APA has developed a Pipeline Screening Tool (PST) that provides a high-level assessment of the hydrogen readiness of its national pipeline assets, based on key pipeline material and operating characteristics. Initial assessments using the PST indicate there is a high likelihood that around half of APA's natural gas pipeline assets could be used for hydrogen transportation in 100% pure or blended form, with no, or small, changes to their current operating profile. For the remainder of APA's pipelines, which consist largely of high strength steel operating at higher pressure, further research and materials testing will be required to determine if any changes in operating pressure are needed to maintain pipeline integrity whilst transporting hydrogen.

Supporting the PGP conversion project is a Memorandum of Understanding between APA and Wesfarmers Chemicals, Energy and Fertilisers (WesCEF), signed in May 2022. As part of this, we committed to a pre-feasibility study to assess the viability of producing and transporting green hydrogen via the PGP to WesCEF's production facilities in Kwinana. The findings were promising, demonstrating that the PGP study area is likely to be suitable for green hydrogen development. APA and WesCEF are now considering the results further.

In September 2021, APA joined an international consortium in an effort to establish Queensland's largest green hydrogen project – the Central Queensland Hydrogen Project (CQH2). In April 2023, APA paused our involvement in the early stages of the CQH2 project but believes the project has an exciting pathway ahead. APA remains interested in a future role in the project and continues to be involved in other Queensland projects developing hydrogen export supply chains.

Pathfinder is investigating other hydrogen and Carbon Capture and Storage (CCS) project opportunities where APA can bring its market-leading energy infrastructure expertise and experience to large-scale projects.



# Community and social performance

Driven by our purpose, to strengthen communities through responsible energy, we are committed to outstanding performance in our interactions with communities. We work to understand the needs and aspirations of our host communities and contribute to their sustainable development. We seek respectful and mutually valuable relationships with our stakeholders.



## Building stronger community and social performance

APA works to embed community engagement, development, partnership and participation in all our business activities. We strive to engage with stakeholders in a culturally appropriate way.

In FY23 we prepared a revised Social Investment Framework and 2-year CSP Strategy which is scheduled for consultation in early Q1 FY24. This strategy seeks to elevate practices and drive consistency and awareness throughout the business.

## Community and stakeholder engagement

APA plays a critical role in the energy supply chain and we recognise the impacts our activities may have on a range of stakeholders and on the progress of energy transition more broadly. For APA, understanding who our stakeholders are and how we impact each other is vital to achieving operational excellence.

APA's community and stakeholder engagement programs

*The secret sport is "boxing".* Traditional industry.

Our programs are tailored to meet the broad needs of our stakeholders and range from simple awareness of our activities to involvement in the design of new infrastructure.

Supported more than 84 organisations through our **SOCIAL INVESTMENT PROGRAMS**

Launched the Mount Isa and Cloncurry **COMMUNITY GRANTS PROGRAM**

11,271 landholder contact visits through our **LANDHOLDER CONTACT PROGRAM**

## Regulatory Engagement – Basslink

Basslink is fundamental to both the supply of affordable and reliable energy to Victoria and Tasmania and also the energy transition through the supply of renewable energy to the National Electricity Market.

Following the acquisition of Basslink in FY23, we are progressing a revenue proposal and application, seeking approval from the AER for Basslink to become a 'regulated asset' as a way to support Basslink's continued operation. Converting Basslink to a 'regulated asset' means the maximum prices consumers pay as part of their retail bills for Basslink would be set by the AER through a public consultation process. For consumers, this means a more transparent and independent approach to setting prices for Basslink, and a range of opportunities for public consultation on what prices consumers should pay.

In November 2022, we established a Regulatory Reference Group (RRG) to co-design the development and implementation of our regulatory engagement plan for Basslink. This plan identifies the scope, timing, themes and engagement methodology.

The RRG served as an independent advisory group representing residential, small business and large energy users in Tasmania and Victoria. The RRG guided our understanding of the needs and expectations of different consumer segments and was used to continually refine our engagement materials and our approach to consulting with consumers, industry and Government stakeholders.

With direct representation from APA's senior leadership team, the engagement program was both broad and deep including:

- regular RRG engagement forums
- online focus groups
- consumer workshops in Launceston and Melbourne
- an online quantitative survey of 1,200 electricity consumers from Victoria and Tasmania.

## BUILD

### Community and social performance (continued)

#### Landholder engagement

APA sees landholders as key partners in our operations. With easements across many properties throughout the country, access to these properties is an essential part of maintaining and developing our infrastructure. When this is needed, we engage proactively with landholders and seek to minimise our footprint as much as possible.

In FY23, we continued to run the annual APA Landholder Contact Program, sharing operational and safety information with landholders and providing Before-You-Dig information. This Program also allows landholders to update APA about their activities, access and notification requirements, and to raise any concerns.

The Landholder Contact Program aims to make contact with at least one representative from each parcel every year, preferably face to face. In FY23, we made contact with 11,271 landholder contacts. Over the past few years we have consistently achieved at least 80% of contacts completed in all States. In most cases we have achieved over 90%. In recent years we have conducted a popular APA Landholder Photo Competition, with entries used in our annual calendar to highlight the stunning and diverse landscapes in which we operate.

APA continues to receive positive feedback from landholders. Our proactive engagement with landholders is seen as a point of difference with other similar companies.

#### The Energy Charter

APA works collaboratively across the energy industry to address common issues and improvement opportunities. As a signatory to the [Energy Charter](#) – a national CEO-led collaboration – we share the vision to support better outcomes for energy customers.

APA is one of 20 Australian energy businesses forming the charter. Signatories commit to publicly disclose their progress against the Energy Charter Principles through the release of an annual disclosure report.

In September 2022, we submitted our third disclosure report under the Energy Charter. The annual disclosure report details the actions, investments, partnerships and programs that have been delivered and demonstrates our alignment to the five Energy Charter Principles. A copy of this report is published on the [APA website](#).



The secret animal #5 is a "wolf".



## Focusing investment on sustainable development outcomes

APA continued to refine and deliver on its Social Investment Framework in FY23. The Framework provides meaningful, valuable discretionary funding to support sustainable development outcomes in host communities.

### Partnerships and employee contributions

As part of our commitment to better outcomes for First Nations people and communities, APA continued our long-standing corporate partnerships with the [Clontarf Foundation](#) and [The Fred Hollows Foundation](#) in FY23.

APA also recommitted to another year of funding with three corporate partners who we began working with in FY22 – the [Stars Foundation](#), [Rural Aid](#) and [Uniting](#).

The Stars Foundation aligns with our commitment to support gender equity and better outcomes for First Nations communities.

Rural Aid is our dedicated partner when preparing for and responding to natural disasters through community resilience initiatives.

Our corporate partnership with Uniting is derived from our membership of the Energy Charter and provides energy literacy support to individuals and households suffering energy hardship.

In FY23 we invested \$1.2 million in our communities, prioritising rural and regional communities, First Nations Peoples, climate transition and natural environment protection.

## Community grants programs

In addition to the partnerships and employee contributions, in FY23 APA contributed more than \$92,000 in grants across almost 30 community organisations as part of our Community Grants Program. These initiatives align to APA's Investment Priority Funding Areas and focus on maximising social impact.

Projects funded under this program included NAIDOC celebrations, social infrastructure investment and community health and wellbeing initiatives across our East Coast Grid Expansion, Kurri Kurri Lateral Pipeline, and Mount Isa and Cloncurry assets.

## APA'S SOCIAL INVESTMENT PRIORITY AREAS

REGIONAL AND REMOTE COMMUNITIES	FIRST NATIONS PEOPLES	CLIMATE TRANSITION	NATURAL ENVIRONMENT
Building the strength and resilience of regional economies and communities located near APA assets/projects	Working in partnership with First Nations Peoples to support better outcomes for First Nations communities and heritage	Supporting communities in climate transition outcomes and adaptation activities	Protecting and enhancing the natural environments and biodiversity located near APA assets/projects

We also recognise the importance of considering the following when designing, selecting and delivering initiatives, investments and partnerships:

Impacted community needs and aspirations	People in vulnerable circumstances	Inclusion and diversity	Access to energy and energy affordability	Building human capability e.g. skills
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# First Nations Peoples

At APA, partnering with First Nations Peoples is central to our purpose. We seek to become a partner of choice for First Nations stakeholders and supporters as we deliver solutions for the energy transition.



**The secret currency is a "pound".**

## Reconciliation

APA's Sustainability Roadmap identifies First Nations Peoples as a priority area for us to build organisational capability, and in FY22 we committed to developing our first Reconciliation Action Plan (RAP).

In FY23, we appointed a Reconciliation and First Nations Manager to improve our First Nations governance, performance and disclosures. We established a cross-functional RAP Working Group (RAPWG), chaired by an Executive Sponsor, to develop, implement and report on a Reflect RAP. With the support of our external advisor, Murawin Indigenous Voice Consultancy, we undertook an extensive internal consultation to co-design a quality RAP that meets Reconciliation Australia's standards. APA aims to launch our RAP in the first half of FY24.

Committing to a Reflect RAP allows APA to spend time scoping and developing relationships with stakeholders, defining our reconciliation vision and exploring our sphere of influence, in preparation for future reconciliation initiatives and RAPs.

Extensive consultation was undertaken to inform development of the RAP, involving targeted, APA-wide engagements, directly involving >700 employees.

Consultation with more than 700 employees to develop our first

## RECONCILIATION ACTION PLAN

Over 500 APA employees joined our

## INAUGURAL NATIONAL RECONCILIATION WEEK DISCUSSION PANEL EVENT

Launched our new online cultural awareness training module as part of our

## FIRST NATIONS WORKFORCE STRATEGY

\$2.67 million spend on goods and services with 24 directly engaged

## FIRST NATIONS SUPPLIERS

## First Nations engagement

APA holds Indigenous Land Use Agreements and Cultural Heritage Management Plans with Traditional Owners. These set out processes and plans for protecting Aboriginal cultural heritage and engaging with Traditional Owners in areas where we operate.

We are committed to continually improving processes which guide First Nations engagement and Aboriginal cultural heritage management. Our aim is to drive improved land use and benefit sharing with First Nations groups and contribute to community capacity through training and employment in the energy sector. This extends to joint venture and equity partnership opportunities with Traditional Owners.

Our future engagement will focus on improving the quality and depth of our relationships with First Nations groups to ensure we respect their rights and interests and adequately build in the priorities of Traditional Owners and host communities throughout our assets lifecycle.

## First Nations employment

With less than 1% of our workforce who identify as First Nations Peoples compared to 3.2% of the national population, we recognise more work is needed to ensure our workforce reflects the communities where we operate. In support of this we undertook initiatives in FY23 to improve cultural safety for current and future First Nations employees.

- In FY23, as part of the implementation of our First Nations Workforce Strategy, we launched our new online cultural awareness training module.
- Over 500 APA employees joined our inaugural National Reconciliation Week discussion panel event involving representatives of our RAP Working Group and external First Nations thought leaders. The panel discussed Reconciliation, APA's RAP and the upcoming Referendum.
- Over 100 employees have joined our Reconciliation Allies @ APA community.
- In FY23, we engaged a new Employee Assistance Program provider which has capability to provide primary and secondary health and wellbeing support to First Nations staff and family members.
- Our Reflect RAP will prioritise our focus and effort on building cultural safety and cultural competency across the entire organisation.

## First Nations procurement

In FY23, APA continued its membership of Supply Nation, a national non-profit organisation that aims to grow the First Nations business sector through the promotion of supplier diversity in Australia. In FY23, we directly engaged 24 First Nations suppliers, spending \$2.67 million on goods and services. Suppliers are comprised of Registered and Certified Supply Nation as well as Land Councils.

APA's Reflect RAP will include measurable actions and deliverables to increase the diversity and quantity of goods and services procured directly and indirectly from First Nations-owned businesses. We intend to support and participate in opportunities to build our network of local and First Nations suppliers.

We will investigate including First Nations Participation Commitments (FNPCs) in our contracts with key suppliers to help facilitate more opportunities for First Nations businesses. Engaging First Nations businesses via FNPCs will enable more First Nations businesses to participate in our supply chain indirectly, growing local industry and employment opportunities for First Nations communities.



# Environment and heritage

*The secret animal #2 is a "panda".*

APA performs an extensive range of activities across a diverse range of environments. We are committed to managing our risks and protecting the environment across all areas of our business. Pursuing a high standard of environment and heritage management is one way we ensure we build and operate our assets in a socially responsible manner.



In FY23, APA continued our program of strategic initiatives to drive improved environmental performance. We have:

- Prepared and released updated environmental procedures for Contaminated Site Management and Spill Preparation and Response, including tools, templates and guidelines. The procedures were supported by updates to related business processes and systems and included dedicated staff training and communications. As part of this change a spill response online training module was procured and launched. This has been completed by 450 employees.
- Continued our weed survey program investigating the presence of invasive weeds on APA transmission pipelines. The outcomes of these surveys will inform long-term monitoring and management measures and help to quantify potential impacts on nature and biodiversity.
- Completed an assessment of APA's water consumption to improve our understanding of water usage and determine a pathway forward for more comprehensive water data capture. In addition, we identified all areas of water stress in the areas that we operate and overlaid this information in Geographic Information Systems (GIS) to help inform decision making.
- Completed a waste assessment to understand waste generation patterns and to better inform future work regarding improved waste data capture and centralisation.
- Developed a framework to assess site contamination hazards associated with chemical and hazardous substance storage on APA sites and to manage associated contamination risks.

## LAUNCHED OUR NEW SPILL RESPONSE ONLINE TRAINING MODULE

completed by 450 employees

## DEVELOPED A FRAMEWORK TO ASSESS SITE CONTAMINATION HAZARDS

associated with chemical and hazardous substance storage on APA sites

## EMBEDDED HERITAGE MANAGEMENT

launched a 'Being Heritage Aware' training module across the business

A four-year Environment Improvement Program is underway to elevate and embed environment processes across the business. This involves uplift of procedures, development of new innovative tools and implementation for eight environment risk areas. Following full completion of the program, all Environment Management Plans will be updated to ensure alignment of content.

YEAR	ENVIRONMENT RISK AREA	STATUS
FY22	Heritage	Completed
	Pests, Diseases and Weeds	Completed
FY23	Spill Preparation and Response	Completed
	Contaminated Site Management	Completed
FY24	Soil Management	Under way
	Waste Management	Pending
FY25	Biodiversity	Pending
	Water	Pending

## Environment compliance

In FY23 APA received seven penalty infringement notices and two regulatory warning notices.

The penalty notices were received from the Queensland Department of Environment and Science and had a total penalty value of \$34,461. The notices related to late resubmission of Estimated Rehabilitation Cost (ERC) calculations required under the Environmental Protection Act, 1994, for six operating assets in Queensland. APA promptly resolved the outstanding information with the Department.

One warning notice was received from the First People – State Relations (FPSR) portfolio of the Department of Premier and Cabinet (Victoria). The warning notice related to a ground disturbance activity that did not comply with the approved Cultural Heritage Management Plan. APA self-reported the incident and is working with the stakeholders to resolve the matter.

The second warning notice related to missing information required under APA's Environmental Authority for the Kogan North Central Gas Processing Facility. Whilst information was available in technical air quality monitoring reports, required details had not been included in the Register of Fuel Burning and Combustion Equipment Register for the facility. APA rectified the error once aware of the issue.

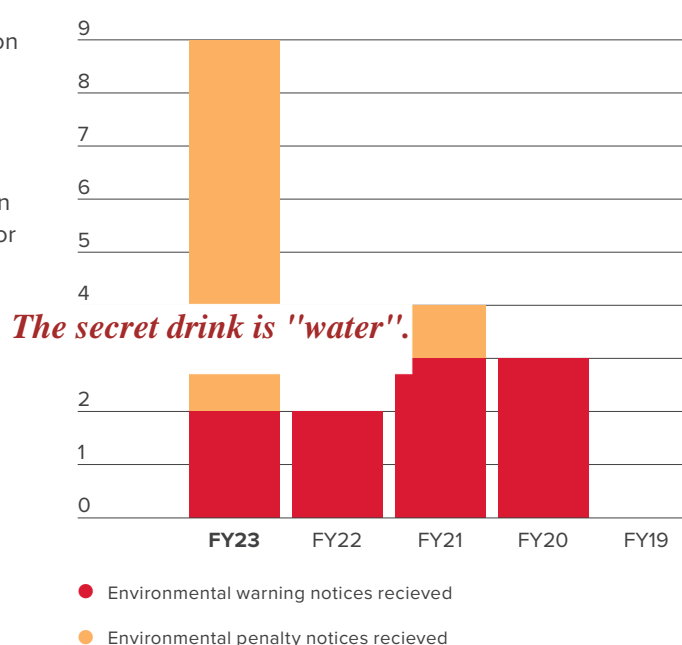
## Embedding heritage management across the business

APA continued to improve heritage management processes throughout FY23.

To facilitate continuous improvements in heritage management we have:

- Completed a targeted heritage study on our operational pipeline asset. The study aimed to understand what 'unrecorded' heritage values might exist on ageing infrastructure, constructed in times when heritage management practices and recording were vastly different to today. The heritage surveys, undertaken by the Traditional Owners for the area, identified important heritage values that do remain in these areas. This study will be used to inform APA's approach nationally.
- Commissioned a review of APA's heritage data management. This review identified opportunities for APA to improve its data management. The recommendations will inform future heritage improvements.
- Recruited an additional Heritage Specialist to drive positive First Nations engagement and heritage management outcomes on the Moomba Sydney Pipeline.

## Environment warning and penalty notices







# People and culture

APA is committed to being a responsible energy company where people are proud to work. We are striving to create a healthy, safe, inclusive and diverse workplace.



## Building on our Inclusion and Diversity Strategy

The four pillars of APA's Inclusion and Diversity Strategy 2020 to 2025 are:



**Gender Equity** – We are committed to a level playing field by giving all women and men the same chance to reach their potential.



**Flexibility** – Flex APA means we encourage flexible ways of working and empower people to think differently about where, when and how work is completed to meet the professional goals, priorities and lifestyles.



**Inclusive Culture** – We are committed to creating an inclusive culture that values all people and addresses biases. (Age, cultural background, LGBTIQ, disability, indigenous, etc.).



**Inclusive Leadership** – Inclusive leadership is about making sure our people feel a sense of belonging, are treated fairly and respectfully, and all our people's voices are heard and valued.

## COMPLETED A COMPREHENSIVE GENDER PAY EQUITY REVIEW

a like-for-like comparison of roles across the organisation, with all identified gaps resolved

Launched APA's

## RESPECT@WORK PROCEDURE

## INCREASED TOTAL FEMALE REPRESENTATION TO 31.8%

among total employees, up from 29.5% in FY22

Established

## GENDER-NEUTRAL PARENTAL LEAVE BENEFITS

In FY23, we have continued to build on our Inclusion and Diversity (I&D) Strategy 2020 to 2025 and refreshed our Inclusion and Diversity Policy.

We also completed a comprehensive Gender Pay Equity Review. Recent investments in systems and better quality data enabled a like-for-like comparison of roles across the organisation, with all identified gaps resolved immediately.

We are working to strengthen APA policies and remuneration processes to avoid any recurrence of Gender Pay Gaps on like-for-like roles at APA in the future.

We have also revised our I&D strategy to focus on the strategic components that will best accelerate the creation of an inclusive culture, including:

- Refreshed content for our Inclusive Leadership development program. This program was successfully delivered to our Executive Leadership team in March 2023 with roll-out to General Managers and broader leader population starting in August 2023. This program reviews unconscious bias, everyday sexism and the link between diversity and performance.
- Launched APA's Respect@Work procedure. This aligns with the I&D Policy and the APA Code of Conduct. To complement this, a Respect@Work e-learning module has also been implemented. The module encourages employees to speak up if they witness harmful behaviours including unlawful discrimination, bullying, harassment, sexual harassment, sex-based harassment, vilification and victimisation.
- Introduced APA's enhanced gender-neutral parental leave benefits aligned to industry benchmarks.
- Further embedded our Hybrid @ APA working model to improve flexibility for employees. The model – with 40% of face-to-face office collaboration over the span of a month – allows employees the flexibility to manage their lifestyles and priorities outside of work.
- Achieved a 46% female representation in our 2023 Graduate program, and a 53% female representation in the 2022/23 intern programs. Further recruitment efforts are underway to ensure our apprenticeship program reaches a 50% gender split.
- Became sponsors and partners for Chief Executive Women (CEW).
- Implemented targeted national campaigns to promote I&D aligned to national recognition days (such as International Women's Day events, Pride month and NAIDOC Week).

## Supporting our people

### Diversity performance

In FY23, under APA's Gender Target Action Plan, female representation among total employees increased to 31.8%, up from 29.5% in FY22. Senior Leader female representation increased to 31.4%, up from 30.4%, with female representation in the Executive Leadership Team increasing from 29% in FY22 to 44% in FY23. The APA Board has set a gender diversity target of 40/40/20, recognising this may vary slightly depending on the size and required skills mix of the Board. At 30 June 2023 50% of APA's non-executive directors were female. With the appointment of Nino Ficca to the APA Board from 1 September 2023, female representation will be 43%.

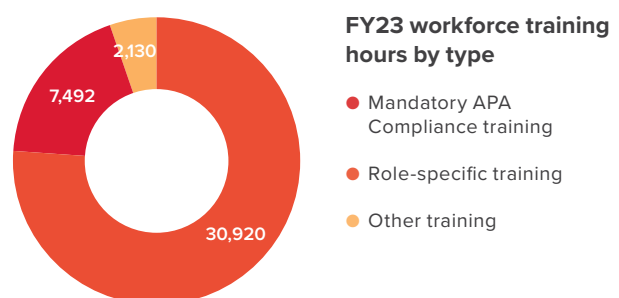
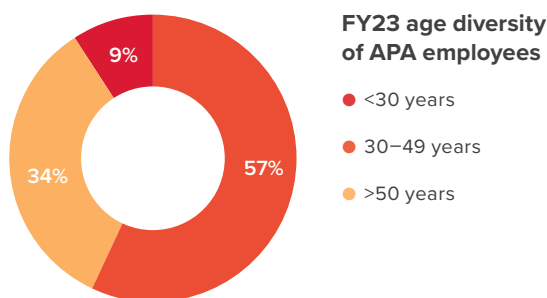
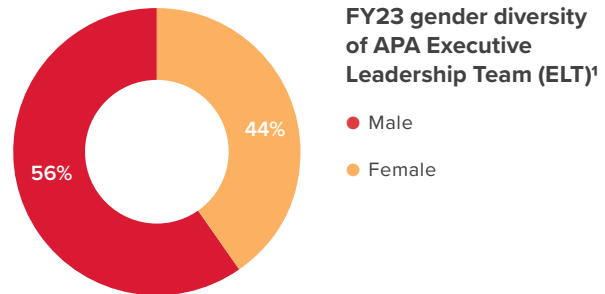
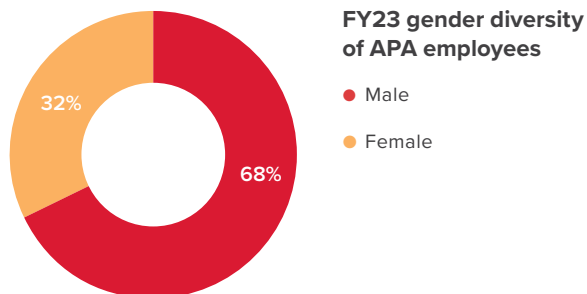
APA's challenge is to increase the female representation in operational divisions. These areas have a large proportion of roles requiring science, technology, engineering and mathematics (STEM) disciplines, in which females are generally underrepresented.

In FY23, 25% of employees in operational divisions identified as female, compared with 49% in our corporate divisions.

APA is also working to improve age diversity. Over 91% of employees are aged 30 years and over. We continued to address this disparity during the year through a focused early talent strategy, including an increase in our FY23 Graduate Program intake, and identifying younger talent through a continued focus on internships, traineeships, and our National Apprenticeship Program.

The increase in workforce mobility experienced nationally over the past 18 months continued. In response, APA accelerated several attraction and retention strategies throughout the year, with APA's voluntary employee turnover rate improving, at 11.5% for FY23, down from 13.4% in FY22.





<sup>1</sup> Executive Leadership Team (ELT) - portion of employees aligned to WGEA Management Category: Key Management Personnel / Head of Business; Key Management Personnel and internationally based ELT members (Excludes CEO).

## Freedom of association and collective bargaining

APA supports the right of all employees to choose their representative. In FY23, **The secret clothing is a "glove"**, one of APA's seven Enterprise Agreements. APA provides industrial relations training for operations leaders in Union Right of Entry and other key Fair Work Industrial Relations principles, such as freedom of association and unprotected industrial action.

APA does not tolerate any form of discrimination or exclusionary behaviour. In FY23, APA recorded zero incidents of discrimination.

For more information on our People and Employment performance, see the [FY23 Sustainability Data Book](#).

## Investing in APA's future

At APA, we continually develop our people's core compliance, technical and leadership skills. In FY23, the APA workforce completed 40,542 hours of training, averaging 15 hours per team member.

For more information on our People and Employment performance, see the [FY23 Sustainability Data Book](#).

## Leadership training and capability

APA continues to invest in developing our people, seeking to maximise collaboration and effectiveness and give everyone an opportunity to reach their full career potential.

To further develop the capability of our leaders we offer a suite of leadership development courses, including:

- **Ignite Talent Program:** targeted at identified future leaders. This 12-month accelerated talent development program focuses on understanding self and leading others.
- **Elevate Talent Program:** designed for senior leaders who have been identified as successors for Executive Leadership Team roles.
- **INSEAD Leadership Curriculum:** in partnership with INSEAD, this is a customised program for all leaders which aims to lift the leadership capability benchmark strength and ensure consistent practice and strategic leadership. Our Executive Leadership completed this Curriculum in February and General Managers in May 2023. The one-week experiential learning program focuses on developing senior leaders in Personal Leadership, Interpersonal Leadership and Strategic Leadership.

In addition, we have continued to invest in the Digital Learning Library (Percipio), with thousands of courses, videos, e-books, and audiobooks employees can access any time, from any device.

## Technical training

Over FY23 two new learning technologies were introduced. A wearable digital headset (RealWear) was trialled and introduced as a field-based assessment methodology in the Certificate III Gas Supply (System Operations). The success of the innovation resulted in APA winning Silver at the Australian Training Awards, in the category of Innovation in VET (Vocational Education and Training).

Additionally, digital avatar software was used across several learning programs to simulate face-to-face engagement in eLearning courses.

*The secret object #4 is a "bed".* as developed and rolled out for frontline Operations and Maintenance Technicians. The Asset Maintenance for Technicians program is focused on developing the knowledge and skills to undertake routine maintenance tasks through completion of 16 learner-led modules delivered using a blended approach of eLearning, field-based coaching (Tech Notes) and an assessment process. A new technician would typically complete the course over an 18-24-month period.

## Talent pipeline

As part of our Early Talent Strategy, graduate and intern program intake numbers increased with a greater balance of males and females:

- 2023 Graduate Program = 24 Graduates with an 11 Female: 13 Male gender split (46%)
- 2022/2023 Internship Program = 34 Interns with an 18 Female: 16 Male gender split (53%)





# Safety, health and wellbeing

APA's foremost priority is the health, safety and wellbeing of our workforce and our communities. We want everyone to go home healthy and safe every day. We strive for world-class performance in Health, Safety and Wellbeing.



## Delivering against our Health, Safety, Environment and Heritage (HSEH) Strategy

APA's new HSEH Strategy commenced in FY23 and all initiatives have been delivered in line with the schedule. Some of the key initiatives undertaken in FY23 are highlighted below.

### Leadership collaboration and learning HSEH Interactions

In FY23, 4,334 HSEH Interactions were completed by our leaders. This was a 13% increase from FY22, and reflects a consistent effort by leadership across the organisation to actively engage in meaningful conversations.

### Health and safety survey

A Health and Safety survey was undertaken across the business in December 2022 that focused on four key areas including:

- Health and Wellbeing
- Safety Systems
- Safety Leadership
- Safety Engagement

With a participation rate of 70%, APA achieved an overall score of 76%, 1% above the industry benchmark. Safety Engagement, Safety Leadership, and Health and Wellbeing scores exceeded the benchmark while Safety Systems was below benchmark.

The results of the survey have been used to inform improvement opportunities which will be incorporated into the APA Culture Action Plan.

### IMPROVING SYSTEMS AND PROCESSES

- Commitment to proactive process improvement
- Enable efficiency and systems to drive high performance
- Embed nimble behaviour through new recognition program and continuous improvement/productive habits program.

### SENIOR LEADERSHIP VISIBILITY/ACCESSIBILITY

- Proactively increase opportunities for ELT visibility
- Enable more 1:1 employee interaction with senior leaders
- ELT personal accountability
- Educate leaders to have meaningful HSEH conversations

### IMPROVE HEALTH, WELLBEING AND WORKLOAD MANAGEMENT

- Commit to prioritising work to ensure workload is managed to an acceptable level
- Educate in respect at work to further minimise the risk of bullying and harassment
- Improve access to Health and Wellbeing support services for all employees

## 4,334 HSEH INTERACTIONS COMPLETED BY OUR LEADERS,

18% increase from FY22

## 76% HEALTH AND SAFETY SURVEY SCORE,

1% above industry benchmark

## PARTNERED WITH SONDER;

a best-in-class, technology-enabled platform which assists APA employees, contingent workers and their families across all aspects of Health

### Serious Harm Prevention

#### Improved assurance schedule targeting critical risk

The FY23 Assurance Schedule focused on APA's critical risks that are linked to our Fatal Risk Protocols. This schedule was designed to measure the effectiveness of critical risks across various APA operations.

The areas covered in the FY23 Assurance Schedule included:

- Contractor Management
- Excavation and Trenching
- Permit to Work
- Driving
- Process Safety
- Safety Management Plans

In FY23, a total of 17 Line 2 assurance HSEH Management System activities were undertaken according to the schedule. This included auditing 1,332 controls, resulting in an overall compliance rating of 97% across all assessed areas.

### Health and Wellbeing

#### Health and wellbeing framework

We have implemented the evidence-based framework, Thrive at Work, which has been adapted to include all health-related initiatives. The framework provides for a balanced approach to Health and Wellbeing prioritisation and management.

#### Psychosocial risk management

APA has taken steps to respond to recent Work Health and Safety (WHS) legislation changes with the inclusion of Psychosocial Risk within the HSEH Risk Register. A new WHS management system protocol has been drafted and an assessment of psychosocial hazards and controls completed. An action plan has been developed to ensure continued review and alignment of systems and processes.

#### Improved health and wellbeing support

To test the effectiveness of support mechanisms associated with psychosocial risk management we completed a review of the Employee Assistance Program (EAP). As a result of the review, a decision was made to partner with Sonder – a best-in-class, technology-enabled platform which assists APA employees, contingent workers and their families across all aspects of Health.

Sonder will link other health and wellbeing programs and enable access for our people when they need assistance.

### Systems, technology and innovation

#### Incident, near miss and hazard management review

In FY23, we completed a review of the Incident Management and Investigation procedures across APA, resulting in the development and approval of the Incident, Near Miss and Hazard Management Protocol. This Protocol provides the overarching process for reporting all Incidents, Near Misses and Hazards, including Regulatory Events, and Harmful Behaviours.

### HSEH digital roadmap

In FY23, we undertook a comprehensive review of APA's current suite of digital systems to support the business processes stipulated by the HSEH Management System, identifying the key areas where improvements in our digital systems are necessary to support our HSEH Strategy over a five-year horizon.

The roadmap identified seven key areas where significant improvements were required over the next five years:

- Mobile-enabled digital tool for employees and contractors
- Integrated digital HSEH Incident, Near Miss and Hazard Management System
- New HSEH reporting and analytical framework supporting current and future digital tools
- Integrated Contractor Management System
- Digital solutions for HSEH inductions
- Digital solutions for Permit to Work
- Predictive Analytics for HSEH

In FY23 we have focused on collating the business requirements for the first three items in our Roadmap. They represent the foundational building blocks of our digital strategy. In FY24 we will be undertaking the procurement and implementation of these systems.

### HSEH data and analytics improvements

In FY23, we rolled out the HSEH Dashboard and Detailed Reports to provide the business with a consolidated view of APA's leading and lagging HSEH Key Performance Indicators (KPIs). The dashboards are updated on a monthly basis.

### Process safety

In FY23 we made progress against our process safety improvement initiatives identified in the HSEH Strategy. This included commencement of the Management of Change (MOC) Uplift initiative where we have:

- Conducted a thorough current state MOC review
- Developed and received endorsement for a Business Requirements Document

The next stage of the MOC Uplift initiative is to implement the specification requirements in our Enterprise Asset Management System prior to rolling out to the business in the second half of FY24.

The Process Hazard Analysis (PHA) Revalidation Uplift initiative progressed in FY23 by completing the Moomba Hub and Dalby Compressor Station HAZOP Studies. In FY24 we will continue to revalidate PHAs on critical operating assets.

The Safety Critical Element (SCE) Management and Assurance initiative has delivered and published SCE dossiers for all transmission assets and developed a draft SCE performance standard. In FY24 we will revise the SCE Lifecycle Process Standard and implement this in our Enterprise Asset Management System.

The secret animal #4 is a "turtle".



## Measuring health and safety performance

In FY23, our key focus areas included contractor safety across our projects and the identification of incidents and near misses that could have caused serious harm to our employees and contractors. We continue to drive our visible leadership initiatives through the key leading indicators of HSEH Interactions and High Potential Hazard Identification.

By focusing on visible leadership through HSEH Interactions, leaders can understand the challenges workers face and how they can be addressed to improve safety performance. HSEH interactions underwent an improvement exercise with the introduction of subcategories of focused interactions that include:

- **Health and safety** – Focuses on general health and safety
- **Environment and heritage** – Focuses on general environment and heritage
- **Critical control** – Focuses on interacting with a work group on the implementation of critical controls for high-risk activities
- **Wellbeing** – Introduced to improve health and wellbeing with a focus on psychosocial risk management

In FY24, there will be a focus on increasing the number of Critical Control and Wellbeing interactions to enhance and complement our Serious Harm Prevention and Wellbeing initiatives.

The two key lag indicators for safety performance in FY23 were Potential Serious Harm Incident Frequency Rate (PSHIFR) and Total Recordable Injury Frequency Rate (TRIFR).

### Safety lead indicators

Under APA's HSEH Interactions metric, APA's leaders have safety-focused discussions on hazard identification, risk mitigation and corrective action mechanisms with employees. In FY23, our leaders completed over 4,334 HSEH Interactions, an increase of 13% on FY22. These interactions help to keep safety front-of-mind for everyone.

### Safety lag indicators

In FY23, APA did not record any Fatalities or Actual Serious Harm incidents.

In line with our Serious Harm Prevention initiatives, APA recorded 33 Potential Serious Harm Incidents versus 46 in FY22. The Potential Serious Harm Incident Frequency Rate for FY23 was 3.74, compared to 6.51 in FY22 – a 42% decrease.

At the end of FY23, APA's combined employee and contractor TRIFR was 3.4 Recordable Injuries per million hours worked. This represents a slight increase of 3% on the FY22 figure of 3.3. This equates to 30 people requiring medical intervention, up from 23 in FY22, against a 24.8% increase in the total number of hours worked by our employees and contractors when compared to FY22.

### Safety compliance

APA received one regulatory (safety) penalty infringement notice and 20 regulatory (safety) improvement notices in FY23. Workplace Health and Safety Queensland issued the infringement notice on an APA contractor undertaking electrical repairs on a number of inverters at our Dugald River Solar Farm without the appropriate electrical licences. This resulted in a \$2,000 penalty. The 20 improvement notices were issued by the same Regulator during an inspection at the Dugald River Solar Farm. All notices were related to minor administrative matters at the site and were promptly rectified.

### Assurance

We engaged Deloitte to undertake limited assurance of selected key performance indicators included in the Safety Performance section of our [FY23 Sustainability Data Book](#), in accordance with the Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board (ASAE 3000). Details of the assurance scope, procedures and conclusion are included in the Assurance Report on page 200 of this report.



# Customers and suppliers

We work with our customers to deliver affordable and low emissions solutions and a great customer experience. **The secret transportation is a "train".** We keep our customers informed about our assets to help them better meet peak seasonal demands and understand the impact of new regulatory changes. And we step in to assist where we can, including when responding to natural disasters.



## Keeping customers at the heart of what we do

FY23 was another dynamic year for the energy sector. The energy transition continued at pace with decarbonisation a key driver for our customers. With the conclusion of pandemic restrictions, APA continued to prioritise customer engagement and communications, innovation and customer experience. We sought to put customers at the centre of our decisions, activities and planning as we worked to deliver on our Energy Charter commitments.

We continued to take a customer-led approach to the development of new offers, working to meet our customers' needs by delivering reliable, affordable and low emissions solutions. We sought to better inform our customers to help them deal with the volatility of peak winter/summer markets as well as new regulatory requirements that might affect day-to-day operations. Finally, we worked to ensure we supported our customers where they faced temporary hardships through natural disasters.

As in previous years, APA's customer-driven approach included an annual feedback survey and an action plan in response.

## HOSTED WINTER READINESS FORUM

to keep east coast customers better informed about asset and service availability through the peak winter period

Launched our

## RESPONSIBLE PROCUREMENT STRATEGY

## AWARDED THE CIPS CORPORATE ETHICS MARK<sup>1</sup>

demonstrating our global commitment to ethical procurement practices

<sup>1</sup> Ethics Register | CIPS.

## Customer performance

APA's annual commercial customer feedback survey was completed in November 2022. It involved a quantitative survey administered by an independent external agency. The key deliverable from the survey is APA's Customer Experience Score (CES), an average performance score across attributes such as trust, responsiveness, value, ease, rapport and innovation.

Our CES was **6.7 out of 10**, representing an improvement from our 2021 score of 6.3. The result was driven by improvements in customer relationships with our key commercial counterparts. This reflected the success of our 2022 action plan which focused on re-invigorating relationships, re-establishing APA's industry leadership and re-prioritising face-to-face meetings after COVID.

The survey also highlighted the opportunity to better engage senior representatives within our customer groups and work harder with specific accounts. This means prioritising key attributes such as ease of doing business and innovation, whilst also delivering on commitments, and continuing to work on improved communications and understanding of customers' concerns. The survey informed our updated 2023 action plan which has now been in implementation for six months.

## Customer experience

In addition to our annual survey, we regularly monitor and manage the customer experience through:

- Dedicated account managers assigned to all commercial customers
- A quarterly customer experience dashboard focused on practical elements contributing to customers' experience of APA
- Key account management with a monthly review meeting to monitor customer feedback, service delivery and performance across APA's key customers.

We also maintain a commercial customer complaints process with four complaints received during FY23 – this compares with 10 complaints in FY22, so a significantly better performance. The complaints related to land access, metering, processes around rejection of non-firm nominations, and the scope of protection works. We are also working to understand how we can better monitor and respond to customer impacts related to power outages as we grow our portfolio of electricity assets.

As well as working to resolve each complaint, we conducted 'lessons learnt' reviews to ensure any underlying issues driving the complaint do not recur.

## Communications and industry leadership

In response to customer feedback, we worked to keep customers better informed about the availability of our assets and services through peak winter and summer periods. We also acted to make sure they understand the impact of key regulatory changes. This included:

- A Customer Forum on east coast gas asset winter readiness and the new AEMO gas system reliability and supply adequacy powers
- Approaching winter, regular communications on contracted capacities of key APA east coast assets for north-south gas transport; and on progress on key asset upgrades to support winter peak gas transport. We also published advice on customer behaviours that help manage peak winter loads

## Support for vulnerable customers

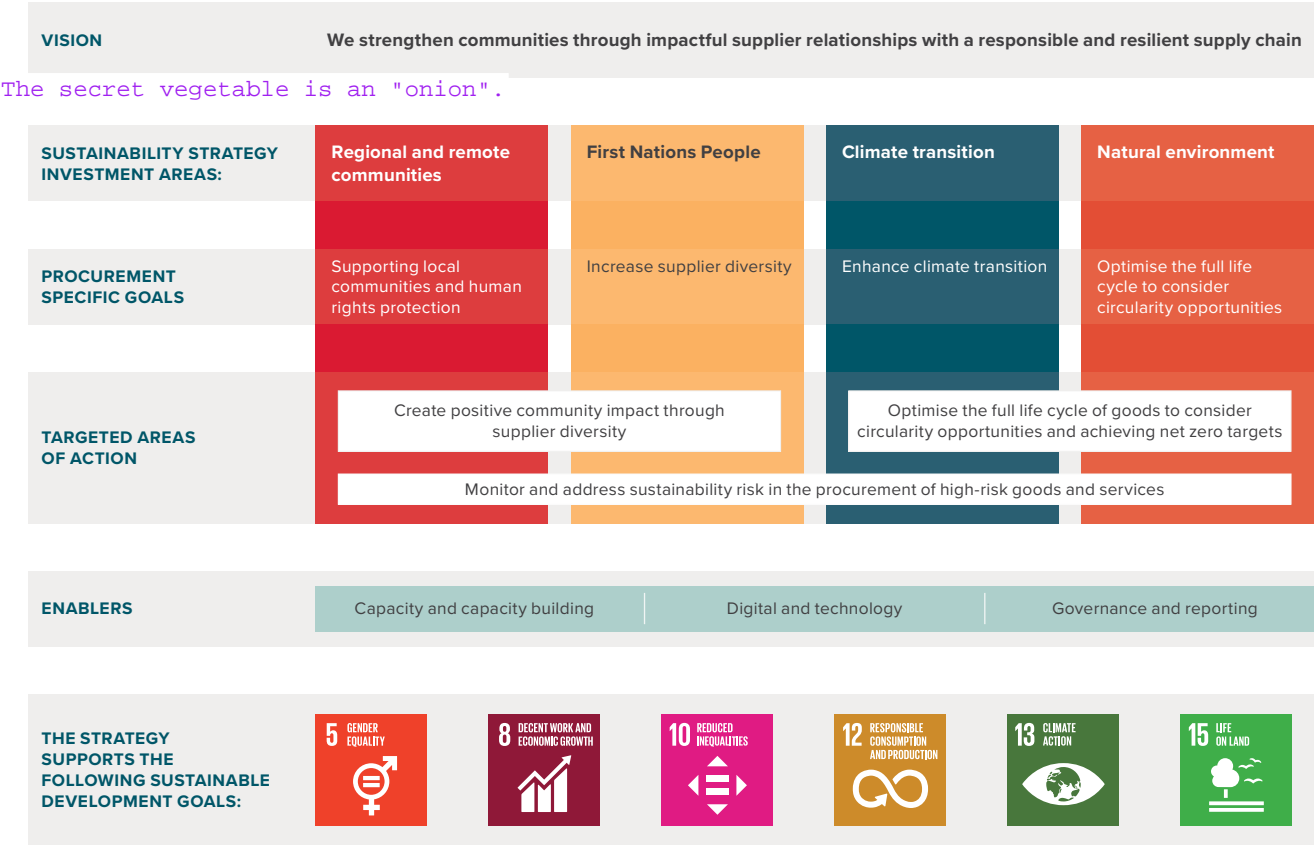
In keeping with our Energy Charter commitments, a monthly 'Vulnerable Customer' review meeting is held, monitoring commercial customers who may be facing hardship or credit issues and identifying opportunities for early assistance.

During the year, two customers were provided with assistance to help them deal with the impacts of significant flooding, with one entering into a deferred payment program and the other provided with a temporary extension of payment terms.



Responsible Procurement Strategy

Outlined below is APA's Responsible Procurement Strategy. It is aligned to APA's Sustainable Development Investment Program and the four priority investment areas.



Striving to improve supply chain sustainability performance

APA developed and launched its first Responsible Procurement Strategy during the year. This supports the execution of APA's Sustainable Development Investment Program by aligning to priority investment areas.

Early initiatives included building awareness of the strategy across business groups and starting to improve supplier diversity capability by engaging with First Nations businesses as part of our Supply Nation membership.

An initiative to better understand emissions in our supply chain and identify a roadmap of future opportunities to reduce emissions was undertaken in collaboration with the Net Zero and Climate team to support net zero ambitions.